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External Affairs and Defence

European Community: European Monetary System 415;
Development of the Community 418;
White Paper on Lomé Convention 421
Rhodesia 423
Namibia 428
State Visit of Portuguese President 429
UK-Polish Relations 429
UK-Chinese Relations 430
Belize: British Proposals 431
UNESCO 432
Shorter Notes 433
Overseas Aid: Intermediate Technology

Economic and Scientific Affairs

Micro-electronics 434
Company Law 436
Pollution Statistics 437
Shorter Notes 438
Industrial Technologies; Changes in Vehicle Excise Duty

Social and Cultural Affairs

Public Lending Right 439
Shorter Notes 439
Prison Services; Expansion of Local Radio

Documentation 440

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EXTERNAL AFFAIRS AND DEFENCE

European Community

Britain's decision not to participate in the exchange rate mechanism of the European Monetary System was announced by the Prime Minister in the House of Commons on 6 December. This article gives details of the Prime Minister's statement, and provides background information on a Green Paper and parliamentary debate that preceded the European Council meeting where the system was adopted.

Britain's views on the development of the Community, including the question of its share of the budget and the enlargement of Community membership, are covered, and details are also given of a White Paper on the Lomé Convention.

EUROPEAN MONETARY SYSTEM

Britain will not be taking part in the exchange rate mechanism of the European Monetary System (EMS), but it will participate in other aspects of the system. This was announced to the House of Commons by the Prime Minister, Mr James Callaghan, in a statement on 6 December, in which he gave details of the European Council meeting held in Brussels on 4 and 5 December.[1] Before this, the Government's attitude to the EMS had been set out in a Green Paper, and the issue had been debated in the House of Commons.

Prime Minister's Statement

Mr Callaghan stated in the House (*Hansard*, 6.12.78, cols 1421-4) that the Council had agreed that the EMS should be established on 1 January 1979, and that its full members would be the five Community countries in the 'snake'[2] (Belgium, Denmark, the Federal Republic of Germany, Luxembourg and the Netherlands) and France. Italy and Ireland had said that they would need more time for consultations before they could decide on their participation in the exchange rate mechanism. (On 12 December the Italian Government announced that it would participate fully in the EMS.)

[2]For details of the 'snake' see p 416, footnote 1, col 2.

[1]Further details of this meeting and other recent Community business will be contained in the next issue of *Survey of Current Affairs*. The Government published the European Council resolution on the EMS as a White Paper, *The European Monetary System* Cmnd 7419, HMSO, 25p, ISBN 0 10 174190 1.

Mr Callaghan would not be recommending Britain's participation in the exchange rate mechanism when it began to function, but he had told the other heads of State that Britain intended 'to work for a continuation of the exchange rate stability which sterling has enjoyed for nearly two years'. It had been agreed that Britain would be free to join the exchange rate mechanism at a later date if it wished.

Other Aspects of the EMS

Britain would be joining in the development of the European Currency Unit (ECU, see p 282), which would include all Community currencies, and of the European Monetary Fund. The Chancellor of the Exchequer and the Bank of England would be considering shortly whether to deposit 20 per cent of Britain's gold and dollar reserves with the European Monetary Co-operation Fund against the issue of a corresponding value of ECUs. In taking this decision, 'the possibility that intervention in Community currencies could be helpful to [Britain] in maintaining the stability of sterling' would be taken into account.

Britain would participate in the enlarged Community credit which was linked to the establishment of the EMS, but would not call on the short-term monetary support connected with day-to-day exchange rate intervention. There was provision for reciprocal consultation about important decisions concerning exchange rate policy between countries inside and outside the exchange rate mechanism.

Concurrent Studies

Referring to the studies related to the EMS about measures to strengthen the less prosperous member countries, Mr Callaghan said that this part of the work on the EMS had been 'less thoroughly prepared' than the work on the system itself. The final proposals provided for additional loan facilities of up to 1,000 million European units of account over five years for less prosperous countries participating in the exchange rate mechanism, with a 3 per cent interest rate subsidy. There was a limitation that these loans should not be used for projects which might create distortion of competition within other member countries. Non-participating countries would not contribute to the financing of this scheme. Mr Callaghan said that he had stressed the importance of Community policies, taken as a whole, contributing to convergence in the economic performance of member countries.

It was now up to each country, said Mr Callaghan, to decide whether the present proposals were commensurate with the greater risks involved with entry into the exchange rate mechanism. The Government hoped that the recent greater stability of the dollar would help the exchange rate mechanism of the EMS when it began to operate, and looked forward to participating in the further work which remained to be done on other aspects of the system.

The broad conclusion the Prime Minister offered to the House of Commons was that 'well-constructed and effective international monetary arrangements can assist those who take part in them in certain circumstances, but they can be no more than additional supports, and that in the end it will be the success of [Britain's] own efforts in restraining inflation, keeping down prices, maintaining the stability of sterling and remaining competitive that will ensure the [country's] long-term well-being'.

Green Paper

The Green Paper was published on 24 November.[1] In it the Government welcomed the concept of a European Monetary System, and said that it had made it clear from the outset that it would participate fully and constructively in the work to establish an EMS. None the less, no currency intervention, however powerfully backed, 'can in the long run hold an exchange rate if the fundamentals are wrong,' and consequently the Government had insisted throughout the negotiations that the system should embody certain characteristics:

1 It should be 'durable and effective', for if it were not durable, damage would be done both to the stability of European currencies and the political and economic development of the Community;

2 It should be 'truly European' and capable of containing all members of the Community 'allowing for the divergences in their economic situation';

3 It should provide a basis for improved economic growth and higher employment in the Community, 'rather than impose further constraints on growth and employment';

4 For this reason, the system 'should impose obligations on its stronger members symmetrical with those falling on its weaker members';

5 The system should be supported by adequate funds for intervention on the currency markets;

6 There should be 'provision for realignments of exchange rates within the system' when underlying economic circumstances make this advisable;

7 The system should reinforce world-wide efforts to improve currency stability, and should not be detrimental to other currencies; and

8 The system should be accompanied 'by clear progress in making the operation of Community policies as a whole assist in promoting convergence of economic performance of member states', and in particular should provide for 'net transfers of resources on the right scale to the less prosperous members'.

[1] *The European Monetary System.* Cmnd 7405. HMSO, 50p. ISBN 0 10 1740506.

Referring to the 'snake' arrangement,[1] the Green Paper commented that this had not proved 'an effective basis for a truly European zone of monetary stability'. Britain, France (twice), Italy and Sweden had been obliged to withdraw from it with heavy losses of reserves or the need to accept exchange rate depreciation. Accordingly, Britain had urged that the EMS as a whole, and its exchange rate regime in particular, should be substantially different in character from the 'snake'.

This approach to the EMS, the Government believed, 'is not only in the best interests of the future of the European Community, but also reflects what should be the true spirit of Community action'.

Technical Aspects of the Discussions

The Green Paper then examined some of the technical questions in the EMS discussions and the British Government's approach.

On the question of the exchange rate mechanism, the Government was opposed to a 'parity grid' system as operated in the 'snake', on the grounds that the system had an overall tendency to encourage deflationary policies. Instead, Britain had proposed a system under which exchange rate obligations should be related to movements away from the weighted average (or 'basket') of Community currency values, that is, the ECU.

Other member states, however, had not been prepared to accept this scheme, although there had been general support for a compromise arrangement, a 'parity grid' within which each currency would have an agreed narrower margin of fluctuation about a reference rate determined in relation to the ECU. When a currency reached its limit against the ECU, this would indicate that it was a divergent currency.

Agreement had not been reached on what should happen when a currency were identified as divergent. Britain favoured an arrangement whereby the financial authorities of the country in question would be obliged to intervene in the currency markets to check the divergent movement of its currency, and would enter into immediate consultations with the other members to determine what economic measures they should take to restore stability to the system. The Green Paper noted that about half the Community countries favoured 'a presumption' which would oblige the divergent country to take appropriate action, unless, exceptionally, that country gave reasons for not acting; while one or two countries were opposed to anything more than 'a general presumption' without saying that a failure to act would be exceptional.

Turning to the credit arrangements, the Green Paper stated that it was generally agreed that credit facilities of up to 25,000 million European units of account should be made available to debtor members at the outset, but there still remained differences of view about how to split the total between short- and medium-term credit.

It had also been agreed that there should be provision for occasional exchange rate realignment by mutual agreement and for temporary 'leave of absence' from the system in exceptional circum-

[1] Under the 'snake' exchange rates between any two of the participating countries cannot diverge from the agreed cross-parities by more than 2·25 per cent.

stances, although in the last resort any participating country would be able to leave the system altogether.

The Green Paper commented that, because of these intensive discussions on the margins and intervention arrangements, little progress had so far been made on other matters, notably a credit system based on the ECU and the reserve role of the ECU. No element of reserve pooling was yet in prospect, and the proposed European Monetary Fund had still to be designed and established. Similarly, there had been little discussion of the relationship of an EMS to other main currencies, including the dollar, an area in which Britain would like to see a positive approach.

Concurrent Studies

Greater convergence in the economic performance of the participants was an essential element in a durable EMS, and the Government regarded 'as of critical importance' the decision taken at Bremen to commission concurrent studies of the action needed to be taken to strengthen the economies of the less prosperous member countries in the context of the EMS. Convergence, said the Green Paper, could not be imposed by a particular exchange rate mechanism, but had to develop from adequate co-ordination of economic policies.

One condition, which Britain's partners agreed was necessary for the EMS to be effective and durable, was that 'inflation rates should converge at as low a level as possible, without this having a deflationary effect'. This was seen as an integral part of a wider strategy aimed at achieving sustained growth, gradually leading to full employment, a convergence of living standards and the reduction of regional disparities.

The Government welcomed this emphasis on the importance of achieving more convergent performance, and the recognition that participation in the EMS could pose major problems for the less prosperous countries. These countries needed Community help to solve their problems of fighting inflation and seeking growth and employment. 'The EMS', the Green Paper stated, 'must be seen to be compatible with the Community's long-term objective to narrow the gap between the more and the less prosperous countries.'

The Community budget was an essential instrument to achieve this aim, but the Government was concerned about Britain's present budgetary position in the Community, and the way in which its burden would increase as the transitional arrangements came to an end in 1979 unless corrective action were taken (see table). Britain, which was seventh out of nine in terms of gross domestic product *per capita*, could become the largest net contributor in 1980. The British Government, with the support of the Irish and Italian Governments, had argued that the European Council should make a firm commitment over a limited but fixed period to bring the pattern and scale of net resource transfers within the Community into conformity with the objective of convergence. (For a fuller account of Britain's views, see pp 418-19)

National Policy Implications

The Green Paper recognised that, although the Community budget had to play a part, 'national policy measures will remain the main instruments for bringing about convergence in the economic performance of member states'. These measures had, however, to be compatible between the partner countries and consistent with a wider strategy for improved economic performance.

Britain's Gross and Net Contributions to the Community Budget 1973-80

£ million

	Gross contribution	Receipts	Net contribution
1973	181	79	102
1974	181	150	31
1975	342	398	—56
1976	463	296	167[2]
1977	737	368	369
1978	1,285	555	730
1979[1]	1,430	650	780
1980[1]	1,655	760	895

[1]Forecasts for 1979 and 1980 are at 1978 prices. Inflation will increase these figures.

[2]Up to mid-1976, the monetary compensatory amounts, which are payable on agricultural imports into Britain from other member states and are financed wholly by the Community, were paid by Britain and included in the receipts shown above. From that date, they have been paid by the exporting member state and are therefore excluded from Britain's receipts. This change increased Britain's net contribution to the budget but correspondingly reduced the cost of the imports concerned.

Source: The Green Paper.

It was important to make clear first, the Green Paper said, 'that in the Government's view the choice to be made in the coming weeks relates not to a European Monetary System on the basis laid down in Bremen, but to the narrower issue of a particular exchange rate mechanism which is not yet fully negotiated'. The Government saw the EMS as 'much more' than an exchange rate mechanism, and believed that 'it was conceived as more than that at Bremen and that it needs to be more than that if it is to contribute to greater stability in the international monetary system'.

On the question of Britain's economic independence, the Green Paper stated that Britain was particularly vulnerable to economic developments overseas, and that the exchange rate could not 'be freely manipulated' to insulate the country from developments abroad. It had, in fact, become increasingly important to maintain reasonable stability of the sterling exchange rate to promote stable trading conditions and diminish business risk. To accept a formal commitment to exchange rate stability would not therefore represent a major break with existing policy. The Government saw no objection of principle 'against entering into international agreements to maintain stability in the exchange rate with the help of co-operative credit and reserve asset arrangements, provided they are satisfied that the timing and the nature of the agreement is right. It is wholly appropriate that we should do this within the European Community to which we belong.'

Turning to the battle against inflation, the Green Paper said that the Government would continue to give top priority to this issue. Joining the exchange

rate mechanism of the EMS could help, if the mechanism were durable for a substantial period and deterred rather than encouraged speculation. Membership of the scheme would also have implications for monetary management, which might impair the Government's ability to control inflation.

Finally, the Green Paper discussed the effect of a higher average exchange rate on the price competitiveness of British goods and services, the balance of payments and domestic output. It concluded that accurate assessments were extremely difficult to make, the choice being between a lower exchange rate where the benefits to competitiveness came quickly but then declined progressively, or a higher exchange rate where the benefits to counter-inflation policy came fairly slowly but then built up over a period. The Government had, however, made it clear that it did not regard exchange rate depreciation as a solution to Britain's economic problems.

Parliamentary Debate

During the debate in the House of Commons (*Hansard*, 29.11.78, cols 457-659) on the EMS, the Chancellor of the Exchequer, Mr Denis Healey, emphasised that the Government had one overriding aim in its economic policy, which was to maximise growth and employment without refuelling inflation. The 'exceptional turbulence on the currency markets' in recent years had been a major obstacle to growth. The question under consideration was whether a zone of monetary stability in Europe could be created as a step towards a better global order in monetary affairs.

Too little discussion, Mr Healey said, had been directed towards the broader aspects of the monetary system, such as the relationship with the dollar and the role of the ECU. Attention had largely been focused on 'the exchange rate regime and the rules for intervention to support it'. There were, however, important disagreements over the intervention mechanism because this would 'largely decide whether the system assists growth and jobs in the countries concerned'. The Government would not join the system unless it was likely to assist growth. Mr Healey stressed that the proposed regime did not entail a system of fixed exchange rates or something that would lead to European monetary union.

The essential feature that Britain wished to see in a new system was that 'it should impose similar obligations on the stronger countries and on the weaker countries'. Britain was also pressing for special treatment of debts 'incurred by a non-divergent currency country if the divergent country uses its currency for intervention'.

Britain could not join the EMS without these elements. There would also have to be 'a commitment to concerted action to achieve lower inflation and higher growth . . . and parallel measures to correct the current perversity in the flow of resources through the Community mechanisms, particularly the Common Agricultural Policy and the Community budget'.

The Government believed there were 'immense advantages' in a stable exchange rate, but such a rate depended on the appropriate economic and monetary policies in the countries concerned. 'The question that we have to ask', he said, 'in deciding whether we join the exchange rate regime in a European Monetary System is whether we can get more stability at less cost inside the system than outside the system.' Whether Britain joined the exchange rate regime or not, it was determined to play a full part in the negotiations on the wider aspects of the system which would follow in the coming months and years.

Opposition Views

Speaking for the Opposition, the Shadow Chancellor, Sir Geoffrey Howe, stressed that it was appropriate and correct that the search for monetary stability was being conducted within a European context. He welcomed the Prime Minister's initiative in seeking to restore stability to international monetary markets, but was critical of the Government's attitude towards the Community. He endorsed 'unreservedly' the objective of establishing a zone of currency stability in Europe, with the aim of reducing inflation and providing the foundation for sustainable growth.

There was a 'very strong political case' for Britain's participation in the EMS from the outset 'provided it is properly designed and likely to be durable'. If the Government failed to achieve entry on the right terms from the start, there was a danger that this would seriously reduce Britain's power to achieve necessary reforms, such as a reduction in Britain's budgetary imbalance and a reform of the Common Agricultural Policy.

There was also a good economic case for Britain's joining the system from the start, 'provided it is founded on a progressively more disciplined management of our domestic money supply', and provided there were workable arrangements for the parity changes that would inevitably be necessary within the system.

THE DEVELOPMENT OF THE COMMUNITY

The Prime Minister, Mr James Callaghan, delivered a speech on major issues related to Britain's membership of the Community at the Lord Mayor of London's banquet on 13 November. He weighed the benefits Britain derived from Community membership against the cost of the growing imbalance in Britain's contribution to the Community budget, and called for a fundamental reform of the Common Agricultural Policy. Opening a debate in the House of Commons[1] on the enlargement of the Community, the Secretary of State for Foreign and Commonwealth Affairs, Dr David Owen, described enlargement as 'the most serious single issue facing the Community'; for the three applicant countries–Greece, Portugal and Spain–it was 'a momentous political and economic decision'.

Prime Minister's Speech

In his speech Mr Callaghan referred to the interdependence that existed in the political and economic aspects of the Community. The foreign ministers of the nine member states had found themselves working together 'because the interests of one

[1] *Hansard*, 14.11.78, cols 207-98.

member are often also the long-term interests of the others'; and there had been Community support for the Anglo-American proposals for Rhodesia (see p 283), and a co-ordinated Community approach in such areas as South Africa (see p 365, 1977), Namibia and the Middle East (see p 283). On the economic side all Community members were facing, to a greater or lesser degree, the problems of unemployment, inflation and growth. None could claim success on all these fronts and each country acknowledged the need for common action. The Community's trade and industry ministers were working together in the current multilateral trade negotiations (see p 388), and joint agreements had been reached controlling the import of steel (see p 345) and textiles (see p 8) into Community markets. The conclusion that Britain drew from such practical experience, said the Prime Minister, was that 'the collective weight of the Community is achieving results which would have been difficult or impossible for the United Kingdom acting on her own to achieve'.

Community Budget

After discussing aspects of the proposed EMS, the Prime Minister said that one of the problems Britain believed that it was essential to remove if an EMS were to be durable was 'the present lack of equity in the arrangements for financing the Community's activities'. Nobody would argue, said Mr Callaghan, that each member state should benefit equally from every Community policy, 'but the outcome of the Community's policies taken as a whole should reflect a balance which corresponds to the Community's long-term objectives, and which is broadly satisfactory to all its members and not only to some of them'. That was not the case at present.

Such a broad balance between the interests of the members of the Community did not exist when Britain joined, partly because of the cost of the Common Agricultural Policy (CAP) and partly because of the way in which the Community raised its revenues from its members. Contributions to the Community budget were drawn from the import duties and levies collected on agricultural and industrial imports to each country from outside the Community, so the greater the past or present dependence of a Community country on the outside world, the heavier was its contribution to the Community budget. 'And with our history, our relationship with the Commonwealth,' Mr Callaghan said, 'that applies especially to us.'

The Prime Minister emphasised that before Britain's entry both the Commission and the member states had indicated that 'there would be a major shift over a period of time in the pattern of Community policies which would reduce the burden of Britain's contributions to an acceptable level'. Britain had been told that the intention was to develop policies in the industrial and regional sectors so as to diminish the proportion of the budget spent on agriculture. However, this had not taken place, and too little, relatively, was being spent on regional problems, such as the regeneration and restructuring of the older industrial areas and on training and other programmes. As a result, the highest expenditure went on agriculture, and some of the wealthiest members of the Community received the most benefit from the Community budget.

In Britain's case, its budgetary contributions and receipts were 'clearly out of balance', and this was having a growing and adverse effect on its balance of payments. 'We cannot agree', said Mr Callaghan, 'that Britain should become the largest net contributor to the Community budget. If this situation were to remain uncorrected it would do long-term damage to the Community as a whole as well as to Britain.' (For details of Britain's budgetary contributions see table, p 417.)

Common Agricultural Policy

On the question of agricultural support in the Community, Mr Callaghan described the present situation where over 70 per cent of the budget went on agriculture as 'a basic weakness'. Only 'a tiny fraction' of these funds was being used to reform the structure of agriculture in those countries that produced large surpluses, while the bulk went towards storing and disposing of such surpluses which always accumulated when support prices were too high.

Britain was not seeking to amend the true objectives of the Common Agricultural Policy, which were to create stable market conditions for consumers and the agricultural industry, and to secure a fair standard of living for those who worked in agriculture. However, the present situation did not correspond to these principles, and, in Britain's view, three changes were necessary.

First, the Community 'should take a more liberal attitude towards agricultural imports from the rest of the world'. This would assist Britain as well as the Community, and Britain would be able to increase its contacts with some of its traditional suppliers. Secondly, the Community 'should use the export subsidies better', and the Prime Minister pointed out that in 1978 some £2,000 million would be spent on 'selling food cheaply to other countries'. Thirdly and most importantly, 'the member nations should reconsider the policy of increasing price support every year, and put an end to the situation in which they actually increase the price support of a product which is already being over-produced'.

Conclusions

Mr Callaghan had no doubt that the Community would continue to progress and that co-operation would grow. However, what was now needed was to recall the original objective of the founders of the Community, which was to strengthen the economies of its member states and, by reducing regional differences, to ensure their harmonious development.

Speech by Foreign and Commonwealth Secretary

In his speech on the enlargement of the Community (*Hansard*, 14.11.78, cols 207-98), Dr Owen said that this was one of the areas in the development of the Community in which Britain could fairly claim to be among the leaders of opinion. There was still, however, insufficient awareness, in Britain and the rest of the Community, of the 'vitally important adaptation for the Community which enlargement

will entail and which we need to discuss more openly'.

The accession negotiations were being conducted on the basis that the applicants agreed to accept the Community's rules, subject only to the various derogations and transitional arrangements which had to be negotiated. The Greek negotiations had made considerable progress, and broad agreement had been reached on Greece's integration into the industrial customs union, the European Coal and Steel Community and Euratom, and on several other matters. The main outstanding subjects were agriculture, the free movement of labour and the length of the transitional period. Dr Owen envisaged the Community aiming to sign an accession treaty by July 1979, with Greece's formal entry being attained on or before 1 January 1981.

As regards Portugal (see p 247 and p 429), Dr Owen noted that negotiations on its entry had opened last month. He hoped they would proceed 'fairly briskly', and thought that Portuguese entry might be able to take place in 1982. A decision on the opening of negotiations with Spain was expected in the near future, and he hoped it would be possible for Spain and Portugal to join at the same time.

Political Implications of Enlargement

The driving force behind enlargement was political. 'Enlargement', said Dr Owen, 'should help to consolidate democratic systems in the three applicant countries, with the immense political benefit that that would bring of greater stability in southern Europe.' Each of the three applicants saw membership of the Community as part of its return to the open, democratic European tradition. For the Community, the political implications of enlargement were also likely to be considerable. A Community of twelve, provided it maintained cohesion, was bound to have more influence in the world than a Community of nine, particularly in view of the links that Spain and Portugal had with Latin America and Africa. However, Dr Owen also warned of certain less desirable political consequences, especially the danger of the Community becoming involved in the Aegean dispute between Greece and Turkey, and spoke of the need to 'reassure Turkey, whose democratic system also deserves and requires support'.

Economic Factors

Turning to the economic implications of enlargement, the Foreign and Commonwealth Secretary said the applicants would be more affected than the present Community. There would, however, be problems for particular sectors in the Community. The most obvious consequence for Britain would be the possibility of increased competition from low-cost industrial exports, especially the already sensitive areas of textiles and steel. Although Britain intended to negotiate safeguard measures to minimise disruption during the transition period, 'we must recognise', said Dr Owen, 'that some of our sensitive industries will inevitably face problems'. In general, however, Britain's industrial exports stood to benefit from enlargement because of the easier access to the applicants' markets.

Another economic factor that had to be faced was the fact that enlargement would entail a net increase in Britain's contribution to the Community budget. Dr Owen said that only speculative calculations could be made at this stage, but he thought the extra annual budgetary costs for Britain would be between £90 million and £115 million at 1977 prices.

Britain and the Community Budget

The Secretary of State then referred to the Prime Minister's speech (see pp 418-19) and the current British concern over the size of its contribution to the Community budget. Noting that Britain had the third lowest *per capita* gross domestic product in the Community but was the second largest contributor to the budget, he said that this situation 'cannot be good for the Community any more than it is for the United Kingdom'. (For further details on Britain's contributions to the budget, see table, p 417.)

In response to the argument that the figures Britain quoted did not include the monetary compensatory amounts (mca) paid on the food imported from Europe, Dr Owen said that these were not a resource transfer to the importing country. 'It makes more sense', he said, 'to see them as a benefit to the exporting countries since they allow producers there to export at higher prices than would be obtained in an uncontrolled market.' Even if all mcas were added to Britain's receipts, it would still remain among the highest net contributors, and if such calculations were done on the 1976 figures Britain would be the third largest contributor. Britain would therefore be working to achieve a better balance to curb its excessive net contribution, which was now 'a serious problem', irrespective of the effects that enlargement would have on the overall distribution of the budget.

Common Agricultural Policy

The effect of enlargement on the CAP, Dr Owen said, would act as a stimulus to make the Community rethink the consequences of the policy. Changes would have to take place, for otherwise expenditure would grow since each of the applicants had a large and important agricultural sector.

In the context of the need to reduce current surpluses, it was important that surplus production by the applicant countries was discouraged now, and 'it would be unrealistic and wrong to expect the expanded south of the Community to accept indefinitely the predominance in the budget of expenditure on support for northern agricultural products'. CAP expenditure already distorted the whole budget, and it was unacceptable for the distortion to be made worse.

Britain was not arguing that the CAP should be abolished, said Dr Owen, but 'its impact on the individual member states needs to be changed radically and the balance altered'. It was fair, he maintained, to make economies and reductions in subsidies to rich, prosperous sections of agriculture. However, he pointed out that the agricultural sector contained some of the lowest paid workers in the whole of the Community.

Conclusions

After discussing the implications of enlargement on Community institutions and development aid policies, and referring to the question of relating the EMS discussions to the wider needs and concerns

of all Community members, including the candidate countries, Dr Owen concluded by noting that the Community was now being obliged to face the practical consequences of its political decision to accept enlargement. Britain had examined its stance on enlargement dispassionately, and 'we still believe that, despite the cost to us, enlargement is historically inevitable and politically desirable'. However, the fundamental fact that lay behind this matter was the implication that former arguments for a small tightly knit Community were over, and it was accepted that there was 'an historical obligation' on the Community to allow the entry of any democratic applicant state in Europe which wished to join the Community. This was a decision which would have a major impact on the development of the Community.

WHITE PAPER ON LOMÉ CONVENTION

The Government's response to a report by the House of Commons Select Committee on Overseas Development on the renegotiation of the Lomé Convention was published in a White Paper on 15 November.[1] The Convention provides trade, aid and co-operation links between the Community and 53 African, Caribbean and Pacific (ACP) states, and will expire on 1 March 1980. Substantive negotiations for a new Convention opened in September.

The White Paper stresses that a number of the points made by the Select Committee (see p 312) are still under discussion within the Community, and that it is the view of the Community, not of Britain alone, that is being put to the ACP states in the current negotiations. Agreeing with the Committee that there are limitations in the Convention, particularly concerning its geographical spread, the Government remains conscious of the need for a better balance between the Community's contractual and non-contractual aid and for 'a very substantial increase' in the Community's programme of aid to non-associates (see p 388). Non-associates contain a very large proportion of the poorest sections of the world's population.

In the negotiations the Government's main aims are to refine and enhance wherever possible the quality of the Lomé arrangements; to extend the scope of the Convention where a good case for innovation can be made out; and to ensure that, as the Community attempts to develop further its relations with the ACP countries, it also gives higher priority to the needs of the non-associates.

The White Paper takes note of the Committee's view that the Community will have to respond constructively to ACP criticisms during the negotiations, but points out that, for their part, the ACP states will have to show understanding for the Community's viewpoint, especially at a time of world economic recession. 'While conscious of the need for its approach to be as positive as possible', the Paper says, 'the Community must be in a position to honour fully the undertakings it is able to make.'

General Aid Policy

The Government welcomes the Committee's endorsement of its view that the Lomé Convention is not an appropriate forum for resolving debt problems, and points out that 'every favourable opportunity' is taken to discuss debt and other North-South issues with the developing countries. In addition, it recently announced measures to remove the burden of past aid loans from 17 of the world's poorest developing countries (see p 304).

On its own initiative, Britain already plans to increase its aid programme by 6 per cent a year in real terms up to 1981-2, and the rate of spending on aid is growing faster than that on any other Government sector. In 1977 multilateral aid accounted for 35 per cent of Britain's gross aid spending, and Britain has made large commitments to several institutions with a world-wide range. The Government also sees an important place within multilateral aid for assistance given under the successor arrangements to the Lomé Convention, as well as for other aid channelled through the Community, notably to non-associated countries.

Human Rights

The White Paper endorses the Select Committee's view that it will be difficult to maintain public support for an expanding Community aid budget if aid is given to governments where there are cases of 'gross and persistent violations of human rights', and says that some solution needs to be found to suspend aid, including Stabex payments,[1] in these circumstances.

Rejecting the view that such a stand is 'neo-colonialist' or amounts to interference in the internal affairs of independent countries, the Paper says that by contributing to Lomé the Community has shown its willingness to promote development in the ACP countries, and 'there is no reason why it should hold back in the same context from making clear the weight it attaches to civil and political rights'. Persistent and extreme violations of human rights, it notes, 'can have economic and social consequences so serious that they frustrate the purposes of development'. However, any human rights safeguard mechanism in the new Convention should only be used in the case of aid and Stabex payments, and not in its trade provisions.

Institutions of Lomé

The Government states that it is conscious of the need to honour the Community's commitment to contribute to the institutions set up under the Convention on the basis of complete equality with the ACP states. In reference to the states' request for joint management and administration of the resources available under the new Convention, the Paper says this raises a number of complex issues which are now being carefully studied within the Community.

[1] *The Renegotiation of the Lomé Convention, Observations by the Secretary of State for Foreign and Commonwealth Affairs, the Secretary of State for Trade, the Minister of Agriculture, Fisheries and Food, and the Minister for Overseas Development.* Cmnd 7397. HMSO, 40p. ISBN 0 10 173970 2.

[1] Stabex is the name given to the scheme under the Lomé Convention which helps to stabilise the export earnings of some ACP countries.

Future Enlargement of the Community

The Government agrees with the Committee that the long-term effects of enlargement of the Community (see pp 419-21) on the ACP and other developing countries 'will be of some importance', but current developments in the existing member states of the Community, in the developing countries and in the world economy generally 'will be of much greater significance'. The Paper notes, however, that at this stage it is extremely difficult to predict the consequences of enlargement on the ACP countries.

On the question of the resources of the European Investment Bank (EIB), whose primary function is lending within the Community but which also lends funds to countries outside it, the White Paper says that various factors suggest that the EIB should be able to continue with broadly the same proportion of its lending outside the Community, principally to Mediterranean and ACP countries. These factors include the agreement by the EIB Board of Governors to double the Bank's subscribed capital, and the requirement on new member states to make contributions to the Bank's capital based on the proportion of their gross domestic product to that of the Community as a whole.

Duration of a New Convention

Turning to the arguments for a longer duration for the new Convention, the White Paper says that the Government regards the Community's relationship with the ACP countries as being 'one of close and continuing co-operation', and has no intention of weakening the established links. However, there is advantage 'in the nature of that relationship being regularly reviewed in the light of changing circumstances, including the economic development of the ACP countries and the evolution of the Community's wider aid and trade policies towards developing countries as a whole'. The Government therefore favours a further period of five years as the right duration for a new Convention.

Economic Issues

The Government accepts the Committee's views on the distribution of aid under the European Development Fund (EDF), and will continue to press for improvements in the programming, project appraisal and project management of the EDF, and in the disbursements of EDF finance for projects. However, while it wishes to see faster spending and more efficient procedures for the Fund, this should not be at the expense of the quality of the projects, 'in which, despite much progress, significant improvements are still needed'.

In regard to Stabex, the Government agrees with the Select Committee that the scope for adapting its detailed workings 'to give a sharper poverty focus' should be pursued as far as practicable, and that there should be no large-scale extension of the products covered. This 'would prove extremely costly and would have to be at the expense of other parts of the EDF and of other development assistance'. As to the question of export earnings stabilisation schemes for developing countries in general, the Government has accepted in principle that a common fund for commodities should be established, and has agreed, together with other leading industrialised countries at the Bonn Summit (see pp 294-6), actively to pursue the negotiations for a common fund to a successful conclusion.

Trade Aspects

The White Paper notes the concern of the ACP states that they may lose some of their preferential trade advantages with the Community as a result of the current multilateral trade negotiations (see p 388). While acknowledging that this is likely to be the case, it points out that ACP countries will continue to enjoy freer access to Community markets than do developed countries or, in some respects, other developing countries. In addition, the general reduction in preferential advantages must be set against the long-term benefits that all developing countries, including the ACP states, will derive from any increase in world trade. Nevertheless, the Community recognises the legitimate interests of the ACP countries in particular products, and has agreed 'to make some withdrawals from its initial offer to reduce all its tariffs, specifically to maintain ACP preferential margins'.

On the issue of ACP manufacture of products that are considered 'sensitive' within the Community, the Government agrees that 'it is hardly appropriate for the Community, having entered into a commitment to encourage ACP industrial development, to seek to inhibit the creation in ACP countries of an industrial base'. However, the retention of a safeguards clause against disruptive imports of particular products is strongly favoured, and the White Paper notes that such a clause in the present Convention has so far not been invoked, and is 'a measure of last resort'.

Adjustment Policy

The White Paper then turns to the question of the implications for British industry of the changing pattern of world industrial trade, and particularly industrialisation in the developing countries, and notes the importance that the ACP countries attach to this matter. 'There is a real sense', it says, 'in which the Community's willingness to adjust in response to ACP competition will be one test of its commitment to the cause of development.' However, it points out that the implications of industrial competition from developing countries cannot be separated from that of the rest of the world in general, and that the Government has a responsibility to 'help maintain and improve the international competitiveness of the economy as a whole'.

Investment and Technology Transfer

The Government believes that private investment 'can make a substantial contribution to development', and that bilateral investment protection agreements with developing countries are a useful way of encouraging such investment. Nevertheless, although there are several such agreements already in existence or under negotiation, there is 'a cautious attitude to inward private investment' on the part of many developing countries and 'an unwillingness' by some of them to accept the basic requirements for such agreements. However, the Government believes that a precise undertaking on investment protection would not be suitable in the Lomé Con-

vention, and would prefer 'a general umbrella-type provision aimed at facilitating separate bilateral agreements'.

On the transfer of technology from the developed world to the ACP states, the Government states that this is 'vital to the realisation of their industrial potential', and notes that the technology must both 'be appropriate to the needs of the recipient and transferred under the right conditions'.

[For background information on the Lomé Convention, see COI reference pamphlet *Britain in the European Community: The Developing Countries*, R6030/77, and COI Factel *The Convention of Lomé*, No 654/75.]

Rhodesia

A new British initiative to secure a negotiated settlement of the Rhodesian problem began on 27 November when Mr Cledwyn Hughes,[1] a personal representative of the British Prime Minister, Mr James Callaghan, left London for Africa for talks with all the interested parties. Britain's policy on Rhodesia was debated in Parliament in November, as were the findings of the Bingham inquiry into the supply of petroleum and petroleum products to Rhodesia, and sanctions legislation was renewed. The Rhodesian 'transitional government' announced a new timetable for the introduction of majority rule.

Mr Hughes's Mission

Announcing Mr Hughes's mission in a statement to the House of Commons on 23 November (*Hansard*, cols 1475-82), Mr Callaghan said that his task would be 'to find out whether . . . a basis exists for calling an all-party conference to be held in the United Kingdom in the new year at which I would be willing to take the chair'. At such a conference, Britain and the United States would put forward the Anglo-American proposals, a restatement of which had recently been put to all parties (see p 424). No conditions would be set for the attendance of the other participants, but the British and United States Governments considered that the conference would be more likely to succeed if it began with the basic framework which they had already identified in intensive discussion with all the parties. He added that 'there would need to be a willingness to compromise by all those attending if an acceptable settlement [were] to be reached'.

Mr Callaghan told the House that the President of the United States, Mr Jimmy Carter, supported Mr Hughes's mission and had agreed that he should be accompanied by the United States Ambassador to Zambia, Mr Stephen Low. He hoped that all parties, both in and outside Rhodesia, would agree to talk to Mr Hughes, and that Mr Hughes would be able to visit the Front Line States (Angola, Botswana, Mozambique, Tanzania and Zambia) as well as Nigeria and South Africa.

[1]Mr Hughes has been Chairman of the Parliamentary Labour Party since 1975. A former Cabinet Minister, Mr Hughes was Minister of State for Commonwealth Relations from 1964 to 1966, and in that capacity visited Rhodesia in July 1965.

Changes in the Internal Settlement

In a statement issued on 16 November, the 'transitional government' announced that it had been unable to complete the arrangements required for introducing majority rule by 31 December, as had been agreed in the internal settlement in March (see pp 92-4). Instead, under a new timetable, the independence constitution will now be published on 22 December, the referendum of the white electorate on the constitution will take place on 30 January 1979, and the general election on 30 April.

The transitional government had also agreed, the Prime Minister, Mr Ian Smith, announced on 30 November, that the first government formed after the election would be one of national unity, incorporating all major parties and detached from party considerations. The new Prime Minister would allocate seats in the Cabinet in proportion to the strength of the parties in the House of Assembly, provided they held five or more seats. This government of national unity, which was necessary to provide a period of stability to deal with the country's economic and security problems, would remain in office for the duration of the first Parliament or five years, whichever were the longer.

Lord Carver's Resignation

Field-Marshal Lord Carver, who was appointed Resident Commissioner-designate under the Anglo-American proposals in September 1977 (see pp 338-40, 1977), announced his resignation on 30 November. Lord Carver said that he had suggested to the Secretary of State for Foreign and Commonwealth Affairs, Dr David Owen, who had agreed, that it was no longer appropriate to designate someone for the post in advance of a settlement under the modified Anglo-American proposals (see p 424). These provided for a council consisting of all the parties to exercise all executive and legislative powers during the transitional period, except for those relating to internal security, law and order, and external affairs. In these circumstances, it was more appropriate that the Resident Commissioner should be chosen during the course of the negotiations leading to a settlement.

PARLIAMENTARY DEBATES

A debate on British policy towards Rhodesia was held in the House of Commons on 7 and 8 November (*Hansard*, cols 694-921 and 962-1110). At the end of the debate an Opposition amendment to the Queen's speech criticising the policy for being inadequate and incapable of bringing about 'a peaceful and orderly transfer of power to a democratic majority in that country' on the basis of free and fair elections, was defeated by 323 votes to 278. On the same day the House approved by 320 votes to 121 the Southern Rhodesia Act 1965 (Continuation) Order 1978 (*Hansard*, cols 1111-

46); the House of Lords approved the Order on 9 November by 166 votes to 65 (*Hansard, HL*, cols 423-636). The effect is to continue in force for a further year section 2 of the Act which, *inter alia*, provides for the imposition of sanctions on Rhodesia (see p 425).

Failure of the Internal Settlement

Explaining the Government's policy, Dr Owen told the House that the Rhodesian situation had 'sharply deteriorated' since the conclusion of the internal settlement. Violence had increased, with nearly 4,000 deaths inside and 3,000 deaths outside Rhodesia so far in 1978, and martial law now covered over half the country (see pp 389-91). He warned the House not to underestimate the extent of the deterioration, and quoted the Catholic Institute for International Relations to the effect that the internal agreement, because of its inherent defects, had simply intensified and prolonged the struggle. It was nonsense to pretend that the transitional government's failure to achieve its objectives – the ending of the war, the return of the liberation fighters and the holding of December elections (see p 423) – could be laid at the door of the British and United States Governments. Even if they had given the agreement their wholehearted and enthusiastic support, 'it would not have made [the agreement] any more attractive to the Rhodesian people, and probably would have hardened opposition to it'. To have done so, would also have resulted in the two Governments' credibility being undermined month by month, as had been that of Bishop Abel Muzorewa and the Reverend Ndabaningi Sithole. Dr Owen went on: 'Our policy would have been identified with the minority whites and we would have had no standing in the world and no influence to bring about a negotiated settlement with all the parties.'

Anglo-American Proposals

Britain and the United States, Dr Owen explained, had, within the framework of the Anglo-American proposals, put forward further proposals for a negotiated settlement to focus discussion at a conference, but not to exclude other proposals. These offered three options, all of which depended on full agreement by all the parties. Options A and C involved elections after six months, followed by independence. Option B involved a referendum within three months on the basis of a fixed agreed date for elections and an outline independence constitution. If it were endorsed, independence would be granted provided Parliament were satisfied that the fifth principle[1] had been upheld prior to elections. If rejected, elections would automatically follow within six months, and independence would follow elections. The British and United States Governments, Dr Owen explained, preferred options A or C. Option B, which had already been criticised by some of the parties and about which the two Governments had their own doubts, had been included in an attempt to satisfy those who would prefer self-government as soon as possible, and the presence of a neutral Resident Commissioner for as short a period as it took for a referendum to be organised.

The proposals, Dr Owen said, contained a transitional constitution which provided for a council with executive and legislative powers. Britain believed that the council should not give dominance to either the Executive Council or the Patriotic Front if the basically neutral transition which was essential for a ceasefire to be agreed and fair elections to be held were to be developed. It envisaged an agreed figure as Commissioner being appointed to hold executive authority for all the forces of law and order, and the creation of a United Nations military force and a United Nations police monitoring unit. Detailed proposals for integrating the opposing forces had been put to all the parties as a basis for further negotiations. The whole framework, Dr Owen concluded, depended on agreement. It could not be imposed, and in the last analysis, if all the parties agreed to any alternative proposals, the British and United States Governments would not stand in their way. It was 'for the Rhodesian people and all those who intend to live in Zimbabwe to decide their destiny'. The decision was not for one particular group, and there were no vetoes.

The Role of the Transitional Government

Dr Owen called on the transitional government to 'face reality' and to 'stop ignoring the evidence of the widespread hostility to the internal settlement'. It should realise that to launch raids on Zambia on the same day it at long last accepted a conference was not the best way of ensuring the conference's success, let alone of ensuring the attendance of the other parties. In addition, it was time that Mr Smith recognised that accepting an invitation to come to a conference without preconditions meant that he could not simultaneously, first, rule out proposals for a neutral figure to hold executive power over the forces of law and order during the transition; second, rule out, as the basis for a ceasefire, serious proposals for integrating the forces currently fighting each other; third, rule out the presence of a neutral United Nations force during the transition aimed at helping to maintain law and order at a particularly vulnerable time; and fourth, when Britain and the United States had fought against any party demanding dominance, insist on a transitional authority on the basis of the existing Executive Council with two additional seats for the Patriotic Front. Equally, Mr Smith could not insist that legislative power should remain in the hands of the Rhodesian Front parliament. If they genuinely wanted to end the fighting, restore legality and lift sanctions, Dr Owen added, the Salisbury parties would have to develop a more flexible negotiating position.

Britain's Role

Britain could not impose a settlement. Neither, Dr Owen said, would it place itself in between the forces currently fighting each other and assume an administrative responsibility it had never held, and which it had rejected in 1965. The Government would not commit British troops or a British presence until there was a settlement and a ceasefire, and

[1]This, one of six principles setting out the British Government's requirements for granting independence to Rhodesia, states that the Government 'would need to be satisfied that any basis for independence was acceptable to the people of Rhodesia as a whole'.

then only as part of an international force. Britain would, however, continue to work with the United States, its European partners and its African and Commonwealth friends to bring the influence of the international community to bear on the situation, and would convene an all-party conference the moment it thought a conference would succeed.

Sanctions

With regard to sanctions, Dr Owen said that it would be 'totally wrong' to argue that because they had failed by themselves to bring about majority rule their maintenance had been a waste of time. Sanctions had been 'a clear demonstration of a national and international resolve not to accept UDI' [unilateral declaration of independence], and of the unwillingness of successive governments 'to underwrite the regime's refusal to accept majority rule'. They had also had a 'steadily debilitating effect on the Rhodesian economy', and, together with the armed struggle and the hardening of world opinion, had been instrumental in influencing the regime towards a more moderate stance, that is, the internal settlement with its promise of elections to determine majority rule in December. To lift sanctions now, Dr Owen warned, 'would be to give up the one peaceful pressure that we have, first for a proper negotiation at an all-party conference and, secondly, to honour even the terms of the internal agreement'. Without sanctions, he suggested, the elections might not only be postponed, but might never take place (see p 423).

Speaking in the sanctions debate on 8 November, Dr Owen again warned that if Britain failed to renew the Order serious doubts would be raised in the mind of the international community at large about Britain's intentions over Rhodesia. 'It would be fatal to any attempt to convene an all-party conference for us to be clearly in breach of our international legal obligations.' He reminded the House that section 2 of the Southern Rhodesia Act 1965 also provided constitutional powers which would 'enable speedy action to be taken to give effect to a transitional constitution in the context of an agreement stemming from an all-party conference'. If negotiations were successful, it was vital to be able 'to act quickly and establish a transitional council immediately'.

Opposition Views

Speaking for the Opposition, Mr Francis Pym[1] said there had been 'far too rigid an adherence to the Anglo-American proposals' by the Government, and, in particular, criticised it for failing to establish a British mission in Salisbury and for its 'unacceptable' proposals for integrating the opposing forces. The Government had also shunned the internal settlement and shown bias in favour of the Patriotic Front at a time when 'a balanced position was what was needed'. He also feared that Britain's policy had put the fulfilment of the fifth principle at risk by making it more difficult for a test of acceptability to be carried out.

A more constructive policy, he asserted, was required to bring about a return to legality through free and fair elections. To this end, he proposed that the Government should establish immediately a high-level mission in Salisbury, without which Britain's 'contribution cannot possibly be as sustained or as effective as it could and should be'; take the internal settlement as the firm basis for progress to independence since 'it is the only basis for enabling elections to take place quickly'; convene an all-party conference to arrange a ceasefire and to call for elections to take place with a United Nations presence (by which he meant, he explained, that the United Nations should observe but not administer the elections); and set up a 'contact group', similar to that for Namibia, to establish a close relationship with all the parties and thus make a comprehensive negotiation possible. Mr Pym also urged the Prime Minister to consider taking a 'Camp David' initiative and to bring the parties together for private discussions in Britain or wherever the Prime Minister wished.

With regard to the renewal of sanctions, Mr Pym said that, in the present circumstances, it would be less difficult to resolve the dispute if sanctions were retained than if they were lifted. By lifting sanctions immediately, 'we should be diminishing rather than enhancing the chance of negotiating with the warring parties'. He also pointed out that, to be in the strongest possible position to help Rhodesia, Britain needed the active support of all its allies and friends and these were opposed to the lifting of sanctions at the present moment.

Government Responses

Responding to Mr Pym's suggestion for a 'Camp David' initiative, Mr Callaghan said that if he saw a hope of bringing people together privately with any prospect of success, then he would not hesitate to do so (see also p 423).

Mr Pym's suggestion of a 'contact' group was taken up by the Minister of State at the Foreign and Commonwealth Office, Mr Ted Rowlands, speaking at the end of the debate on 8 November. He pointed out that, in the case of Namibia, the group had recognised from the start that a solution had to be set in the context of the region as a whole, and had therefore negotiated with the Front Line States as well as with the parties directly involved; that it had not supported any side but put forward impartial proposals and then tried to persuade the parties to agree to them; and, most important, its members had accepted that 'the fundamental common objective [was] an internationally acceptable solution' and had 'entirely rejected an unviable internal solution' to the problem.

THE BINGHAM INQUIRY: GOVERNMENT AND OTHER VIEWS

Reviewing the history of sanctions, as revealed in the Bingham report (see pp 348-50), Dr Owen told the House of Commons on 7 November that, in order to consider the facts objectively, it was necessary to recall the 'complexity of the factors which influenced successive Governments' thinking' during the period in question. 'Those who were responsible . . . had to weigh the implications of every action they took across a complex field of inter-related and often contradictory policy objectives' – for the prospects of successful talks

[1]Mr Pym replaced Mr John Davies as Opposition spokesman on foreign affairs in November, Mr Davies having resigned his post because of ill health.

with the Rhodesian regime, which were continuing throughout this period; for relations with Commonwealth countries and the international community as a whole; for Britain's own economic well-being, often in times of acute domestic economic difficulty; for the effect on Britain's extensive commercial and investment interests built up over many years in South Africa; and for South Africa's willingness to exercise a moderating influence on the regime. In addition, they encountered difficulties in securing international support for sanctions. 'During this period', Dr Owen explained, 'some of our major allies lacked any enthusiasm for the implementation of even existing sanctions. . . . Many of them also certainly had no sympathy or support for any measures designed to strengthen those sanctions.' Some oil companies 'appear not to have been influenced let alone controlled by their governments. Moreover, chrome, for example, was reaching the United States from Rhodesia for many years before the 1971 Byrd Amendment actually gave congressional approval for breaking mandatory United Nations sanctions.'

Dr Owen said that he had mentioned 'these facts just to stress that the international climate is very different now and, most important of all, that the attitudes of the French and the United States Governments are much more sympathetic now to the views of African countries and a firm United Nations-backed policy'.

Beira Patrol

Britain had imposed oil sanctions unilaterally on 17 December 1965, acting under a non-mandatory resolution of the UN Security Council. From the first, however, 'there was always doubt whether international co-operation in an oil embargo would be forthcoming: in particular, it was obvious that Portuguese and South African co-operation would be essential if oil sanctions were to be fully applied'. At the time, however, 'it was believed . . . that the closure of the principal route for the supply of oil to Rhodesia – namely the Umtali pipeline – could deal a major blow to the Rhodesian economy and bring about an early return to legality'.

To enforce this, the Beira naval patrol was instituted. Dr Owen admitted that the patrol 'did not achieve the initial objective . . . of cutting off all oil supplies to Rhodesia, but it did ensure that oil never reached Rhodesia from the quickest and cheapest route', and this 'was an extremely important objective'. Dr Owen continued: 'At any time to have lifted the patrol and thereby acquiesced in oil flowing along the pipeline would not only have reduced the economic costs of alternative supply routes; it would have been a significant political act tantamount to recognition of the illegal regime. Successive Governments openly and publicly acknowledged that the route initially through South Africa, subsequently through Lourenço Marques and then again through South Africa, remained open. Yet no Government from 1966 onwards [was] prepared to use force to close these alternative routes. It was optimistically hoped that diplomatic pressure and considerations of self-interest would bring the South African and Portuguese Governments either to re-examine their sanctions policy or to use their political influence on the regime to achieve a settlement.' However, Dr Owen concluded' events had 'shown that that was much too optimistic' an assessment.

Avoidance of Confrontation with South Africa

In considering how to stop oil passing through these alternative routes to Rhodesia, the Government 'felt, rightly or wrongly, that there was no practicable way of monitoring or controlling the flow of oil through Lourenço Marques, without a major confrontation with South Africa, to whose law the South African subsidiaries of the oil companies were subject'. It was decided, and openly admitted by successive Governments, 'that the burden which any economic confrontation with South Africa would entail should not be borne by Britain alone among the Western nations', and, as a matter of political judgment taken at the highest level, action was ruled out if it was thought it would lead to Britain facing such a confrontation without the full support and involvement of some other Western industrialised countries. 'Other Western countries', Dr Owen added, 'were as reluctant as Britain to face an economic confrontation. . . . Even today, with the international climate far tougher towards South Africa and its policies, we and our Western allies still judge it to be far preferable for everyone – ourselves and those living in Southern Africa – to avoid confrontation. . . . An economic confrontation with sanctions over South Africa may come. But . . . this is not a course which should be relished by anyone who has the interests of the people of Southern Africa at heart, for those whom we do not wish to hurt will suffer most.'

Attempts to Strengthen Sanctions

In 1967, Dr Owen continued, the Government considered many schemes for intensifying sanctions, including a number for rationing supplies of oil through Lourenço Marques. These were, however, all 'reluctantly rejected' on one or more of the following grounds: that the refusal of Portugal and South Africa to apply sanctions left a gaping hole in the blockade of Rhodesia; the possibility of economic confrontation with South Africa; the reluctance of certain Western Governments to put pressure on their oil companies, and the wider political arguments against attempting to exercise legal control over subsidiaries of British companies operating abroad, which 'meant that the oil companies could hide behind South African legislation'; and the reluctance of the Government to act without effective support from its partners.

These considerations and others, including Britain's severe economic problems of the time, also led ministers collectively to decide in late 1967 'to defer consideration of proposals to intensify sanctions, including the possibility of stopping the supply of oil to Rhodesia through Mozambique'. A further study of the problem was made in 1968, Dr Owen added, but the same conclusions were, reluctantly, reached.

The Total Swap Arrangement[1]

With regard to the Total swap arrangement which operated from 1968 to 1971, the details of which

[1]For details of this arrangement, see p 349.

were recorded in the Bingham report, Dr Owen said that 'decisions throughout this period were taken in the recognition that the denial of British oil to Rhodesia, while a necessary political instruction and legal obligation, would not and could not in itself reduce Rhodesia's capacity to obtain oil'. He went on: 'Whatever conclusion is reached about the legality, or the morality, or the justification for this swap arrangement, we must not delude ourselves into believing that Rhodesia's imports would, in practice, have been seriously restricted if British companies and their subsidiaries had simply pulled out of the South African market in an effort to avoid any direct or indirect involvement in the supply of oil to Rhodesia.' The regime 'would have had no difficulty in finding compensating supplies through South Africa in the event of any shortfall from one supplier. It is hard to escape the conclusion', he added, 'that without a higher degree of co-operation from our major trading partners than was then forthcoming, any British Government was powerless to affect the oil supply position on the ground in Rhodesia.'

With regard to the lapse of the swap arrangement in 1971, Dr Owen repeated the Bingham inquiry's finding that not even the London-based oil companies, let alone the Government, were aware of this until 1976 (see p 349).

The Present Situation

In the autumn of 1977, Dr Owen told the House, the oil companies informed him that their subsidiaries in South Africa were no longer directly or indirectly concerned in supplying Rhodesia. The Bingham inquiry, however, had revealed that marketing arrangements designed to compensate these companies for their subsequent loss in trade had been instituted in South Africa in 1976, and these were still in force when the Bingham report was completed. The Foreign Secretary said that he had told the oil companies that 'such arrangements were totally incompatible with the spirit, if not the letter, of the assurances' he had received from them. He had since learnt that these arrangements had been terminated and that the subsidiaries 'are not now involved in any marketing activity related to the supply of oil by others to Rhodesia'.

Dr Owen emphasised that he had 'now placed Shell and BP [British Petroleum] formally on notice of the Government's strongly held view that no company in the Shell or BP group should be involved in the supply of oil to Rhodesia, whether direct, indirect or by participation in marketing arrangements related to the supply of oil by others to Rhodesia', and expected that the head offices of the companies would at all times act accordingly. The Government, he added, was determined to take every step in its power to ensure this, so long as sanctions remained in force, and hoped that other Governments would now feel able to take similar action in respect of their own oil companies.

Further Inquiry

It had not been part of the Bingham inquiry's function, Dr Owen told the House, to relate its findings to the political, diplomatic and economic events of the time. It was for Parliament to set the report in its wider political context, to consider the full implications of its findings, to establish such further inquiries as it thought necessary and to learn the appropriate lessons for the future.

In establishing the Bingham inquiry, the Government had believed that a searching examination of the entire history of oil supplies to Rhodesia since 1965 was inevitable and right. It had been anxious, Dr Owen explained, that all the facts should be brought to light, however unpalatable some of them might be, and had given every help to the inquiry and unhindered access to all the departmental papers. Once the report had been received, the Government had decided that it should be published virtually in its entirety, protecting only one annex, and that on the advice of the Director of Public Prosecutions. 'There has been no cover up', Dr Owen emphasised, and 'there will be no cover up. It is for the Government, this House and the country to face the implications of the report. . . . It will be for Parliament ultimately to decide.'

Other Views

Speaking in the debates, former ministers agreed with Dr Owen that past Governments had been fully aware that sanctions could not be fully effective without Portuguese and South African co-operation, and that they had also made clear their reluctance to enter into economic confrontation with South Africa to remedy this.

On 9 November, Lord Thomson of Monifieth[1] said that 'in the circumstances of the time, we struck the best balance possible between conflicting considerations such as governments have to face all the time – in this case the desire to make sanctions work as a means of bringing about a peaceful settlement and, on the other hand, the necessity of avoiding economic confrontation with South Africa. We did everything in our power to make sanctions work as widely as possible.' Similarly, Mr Michael Stewart, who was Foreign Minister twice between 1966 and 1970 said that there was 'throughout . . . a firm resolve . . . to promote sanctions to the full extent of our power, and that we did in good faith and diligently'. He acknowledged, however, that Britain's power to close the 'gap' left in sanctions by South Africa's refusal to co-operate was severely limited by Britain's inability to 'engage in a full-scale economic confrontation with South Africa, much less blockade her'. Both these speakers also emphasised Britain's efforts in the period 1966 to 1968 to secure compliance with sanctions by other countries, particularly France, as also did Sir Harold Wilson (Prime Minister from 1964 to 1970 and from 1974 to 1976). Lord Home of the Hirsel, another former Prime Minister and Foreign and Commonwealth Secretary from 1970 to 1974, also referred to Britain's powerlessness to close 'the South Africa gap', and pointed out that any attempt 'to identify and pinpoint [oil] leaks out of South Africa into Rhodesia would have entailed detailed investigation into the books of many companies, both national and international'. He also believed that, although

[1]Formerly Mr George Thomson, Secretary of State for Commonwealth Relations in 1967-68 and Minister without Portfolio in 1968-69.

sanctions were not decisive, they had prevented economic growth in Rhodesia, and he agreed with Lord Thomson that they still had a role to play in influencing the Rhodesian regime.

With regard to the swap arrangements, Lord Thomson said the first confirmation of this to ministers was at a meeting he had with oil company representatives in February 1969. He had fully recognised its importance, but also that it was outside British control. It was an arrangement between two South African companies operating under South African law and, therefore, outside the British legal jurisdiction. Mr Stewart largely concurred with Lord Thomson's account, but suggested that the arrangement's importance was not fully realised since it appeared 'as an inevitable consequence of the plain fact . . . that without South Africa's help . . . [sanctions] could not possibly work'. Sir Harold Wilson, however, said that he had known nothing of the swap arrangement until April 1978, and was certain that none of the relevant ministers had known of its existence. The report of Lord Thomson's meeting had not been circulated to the Cabinet or its contents reported to any Cabinet committee, as it would have been had its significance been realised. If it had been, he said, then 'the future conduct of every ministerial meeting involving Rhodesia would have been enitrely different, and we would have been taking up these questions many years ago'. Mr Heath, Prime Minister between 1970 and 1974, said that his administration had not known of the swap arrangement's existence in 1970, because an incoming administration did not see its predecessor's papers, nor, as the Bingham inquiry had shown, had it known of the arrangement's termination in 1971 (see p 349).

Sir Harold Wilson called for a high-level inquiry, possibly composed of Privy Counsellors who had not been involved in the matters under consideration, to be set up to determine 'who, if anyone was guilty of . . . evasion'. All the relevant Government papers, he added, should be made available to the inquiry and the House. Mr Heath, on the other hand, was opposed to the Government papers being released, believing that to do so would not be in the interests of effective government. He also thought that, if the House wanted to take further action, it should come to a decision on the record set out in the Bingham report. Both Lord Thomson and Lord Home also thought a further inquiry unnecessary. Speaking for the Opposition, Mr Pym said that if a further inquiry were thought necessary it should be of a parliamentary kind. It was 'a parliamentary matter because it is concerned essentially with the relationship between ministers and this House'.

Namibia

In a resolution adopted on 13 November, the United Nations Security Council warned South Africa that failure to cancel the planned internal elections[1] in Namibia would compel the Council to take appropriate action, including possible sanctions, to secure its compliance with Council resolutions concerning the territory. Britain and the other four Western members of the Council abstained from voting.

The Council had resumed its consideration of the Namibian problem on 31 October at the request of the African group at the United Nations. The group considered that, in view of South Africa's defiance of Council resolution 435 (1978) in going ahead with internal elections (see pp 391-3), the time had come for action to be taken within the framework of Chapter VII of the United Nations Charter. Under this, the Security Council can, among other things, call on member states to cease diplomatic and trade relations with any country which threatens international peace.

In considering the question, the Council had before it the UN Secretary-General's report on the steps taken to carry out resolution 435. Submitted on 21 October, the report included details of the discussions between South Africa and the foreign ministers of the five Western members of the Security Council (Britain, Canada, the Federal Republic of Germany, France and the United States) from 15 to 18 October (see pp 391-3).

The Resolution

The resolution, No 439 (1978), was sponsored by Gabon, India, Kuwait and Nigeria and adopted by 10 votes to nil, with the five abstentions. It condemned South Africa's decision to go ahead with the internal elections as 'a clear defiance' of the United Nations and, in particular, of the authority of the Security Council. The results of such elections, it declared, would be 'null and void' and no recognition would be accorded by the United Nations or its member states 'to any representative or agent established by that process'. Calling upon South Africa to cancel the elections, it demanded that it should also co-operate in the implementation of the relevant Security Council resolutions. Failure to do so, it warned, 'would compel the Security Council to meet forthwith to initiate appropriate actions under the Charter of the United Nations, including Chapter VII thereof, so as to ensure South Africa's compliance'. The Secretary-General was asked to report by 25 November on the progress made in implementing the resolution.

Five Powers' Position

The reasons for the abstentions of the five powers were explained by the Canadian representative, Mr William H. Barton. The five governments, he said, did not accept the validity of the internal elections – which could not be considered free and fair and were irrelevant to Namibia's progress to an internationally acceptable independence – and shared African apprehensions that they might be used to frustrate the implementation of resolution 435. Nevertheless, South Africa still had an opportunity to co-operate with the United Nations and to allay such fears. In

[1]The elections took place as planned from 4 to 8 December.

the Pretoria talks (see pp 391-3), it had agreed that discussions to arrange for United Nations-supervised elections should be resumed and that the UN Secretary-General should begin consultations on the composition of the UN Transitional Assistance Group's military component. In the view of the five powers, these processes offered the way forward towards implementing resolution 435. They had abstained, therefore, in the belief that 'our efforts should be directed to obtaining and supporting the efforts of the Secretary-General to secure [South Africa's] co-operation rather than to prejudging the possible outcome', as the resolution did. However, he added, it would be a mistake to interpret the abstentions 'as a lack of sympathy for the resolution or the direction in which it points the Council in the event South Africa fails to co-operate in the implementation of resolution 435'. The five powers would then make their judgments on the facts and act accordingly.

The five powers, Mr Barton concluded, were committed to resolution 435, and would fully support the Secretary-General in his endeavours to obtain the co-operation of South Africa in the little time that remained.

Other Developments

The Secretary-General's discussions with South African representatives concerning the resolution's implementation were described in reports submitted to the Council on 24 November and 2 December. In the latter, the Secretary-General recorded that the South African Government had stated its willingness 'during the month of December, to conclude consultations with the parties concerned on the principles of resolution 435 (1978)' and to communicate the results to him. It had also reaffirmed that it would retain authority in Namibia pending the implementation of the proposal, and that consultations would continue on the outstanding points in an effort to resolve them.

State Visit of Portuguese President

President Antonio Ramalho Eanes of Portugal and his wife paid a state visit to Britain from 14 to 17 November.

During his visit President Eanes stayed at Buckingham Palace as a guest of the Queen, and held talks on 15 November with the Prime Minister, Mr James Callaghan, which were also attended by the Portuguese Foreign Minister, Senhor Carlos Gago, and the Secretary of State for Foreign and Commonwealth Affairs, Dr David Owen. The main topics at these talks were Portugal's application to join the European Community (see pp 419-21), Southern Africa and bilateral questions.

Mr Callaghan reaffirmed Britain's support for Portugal's application, and thanked President Eanes for his 'expert advice and help' on Southern African affairs. After the talks, Senhor Gago and Dr Owen signed a social security agreement which provides for reciprocity in the provision of medical facilities and the payment of social security benefits.

UK-Polish Relations

VISIT OF POLISH FOREIGN MINISTER

During an official visit to Britain on 6 and 7 November, Poland's Minister for Foreign Affairs, Mr Emil Wojtaszek, and Britain's Foreign Secretary, Dr David Owen, exchanged views on Anglo-Polish relations and current international questions, and signed a Convention on Co-operation in the Field of Culture, Education and Science.

During his stay Mr Wojtaszek was also received by the Prime Minister, Mr James Callaghan, and the Chancellor of the Exchequer, Mr Denis Healey, and held discussions with the then Secretary of State for Trade, Mr Edmund Dell. In the communiqué issued at the end of the visit both sides agreed that the talks had been extremely useful and had contributed to the development of relations between the two countries.

The Joint Communiqué

In the communiqué, the two foreign ministers reaffirmed the commitment of their Governments to continue to develop their relations on the basis of the 1975 Declaration on the Development of Friendly Relations (see below). 'They welcomed the strengthening of relations and the development of political and other exchanges between their two countries at ministerial and official level, and emphasised the importance of promoting the widest possible range of contacts between citizens and non-governmental organisations of both countries.'

They 'agreed on the importance of fostering the development of bilateral trade and noted with satisfaction the many contacts which had led to closer co-operation in industrial and other fields. They endorsed the importance of economic, industrial and scientific-technological co-operation and agreed that its further expansion would contribute to deepening the links between the two countries.'

International Issues

'The two ministers . . . devoted particular attention to the development of the situation in Europe and reaffirmed their commitment to *détente*. They underlined that *détente* is an indivisible process and agreed on the importance of all countries' working for its strenghtening and consolidation not only in

Europe but also in all other regions of the world. They confirmed the determination of both their Governments to strengthen the *détente* process and stressed the importance of creating greater confidence in the military field between East and West. They emphasised in this context the particular significance of the talks on the mutual reduction of forces and armaments and associated measures in Central Europe' [see p 386].

They 'acknowledged the need to follow up the United Nations special session on disarmament with concrete and positive efforts in the field of arms control and disarmament [see pp 384-7]. They expressed their hope for the early achievement of a further strategic arms limitation agreement between the United States and the Soviet Union and a successful outcome to the comprehensive test ban negotiations between the United States, the Soviet Union and the United Kingdom. They stressed particularly their interest in containing the spread of nuclear explosive technology so as further to diminish the possibilities of nuclear conflict.'

'The two ministers stressed the continued significance they attached to the Final Act of the CSCE [Conference on Security and Co-operation in Europe; see pp 305-12, 1975, and 115-17] as a means of developing *détente* and promoting better relations in Europe. They underlined the importance of the full implementation of all principles and provisions of the Final Act in order to promote the growth of mutual confidence and trust between Governments and peoples of the signatory states. They reaffirmed their determination further to strengthen the CSCE process, and, to this end, they declared their readiness to work for a constructive outcome to the forthcoming CSCE follow-up meeting ....'

They expressed the hope that the negotiations on the agreement concerning relations between the CMEA[1] and the European Community would be completed in the near future.

The New Anglo-Polish Convention

'Expressing the hope that the Convention on Co-operation in the Field of Culture, Education and Science ... will help broaden the special tradition of cultural links between the United Kingdom and Poland, the two ministers stressed the important contribution made not only by government institutions, but also by individuals and other organisations to closer understanding and co-operation between the Polish and British peoples. They paid particular tribute to the work in this field of the British Council and the Polish Cultural Institute.'

Previous Visits

Mr Wojtaszek's visit was preceded in December 1976 by the first official visit to Britain of a Polish Prime Minister (see p 21, 1977); several agreements were signed by the two countries at that time. In July 1975, during a visit to Poland by Mr Callaghan, who was then the Foreign Secretary, the two countries signed the Declaration on the Development of Friendly Relations (see p 494, 1975).

[1]The Council for Mutual Economic Assistance, also known as COMECON, comprises the Soviet Union, Poland and several other Communist countries.

UK-Chinese Relations

In November, during a visit to Britain by Vice-Premier Wang Chen, the Governments of the United Kingdom and the People's Republic of China reached an agreement in principle on trade and economic co-operation. In the previous month, China's Minister of Foreign Affairs, Mr Huang Hua, had visited London for discussions on international and bilateral affairs with the Prime Minister, Mr James Callaghan, and the Foreign and Commonwealth Secretary, Dr David Owen.

Trade Agreement

The agreement was announced at the end of Mr Wang Chen's visit (6 to 17 November). The Secretary of State for Industry, Mr Eric Varley, will visit China early in 1979 to discuss projects for its implementation. The aim of the agreement is two-way trade valued at up to £5,000 million by the end of 1985; in 1977 the value of trade between the two countries was less than £200 million.

During his visit, Vice-Premier Wang Chen had discussions with, among others, the Prime Minister, the Chancellor of the Exchequer and the Secretaries of State for Industry, Trade, Energy and Foreign and Commonwealth Affairs. He met representatives of industry and commerce and visited several large companies. Agreement was also reached on the importance of developing industrial and technical co-operation in a large number of specific fields. An agreement signed on scientific and technological co-operation provides for a broad and flexible framework for increased commercial and industrial links between the two countries. Co-operation is to be developed by the promotion of visits by scientists, educationists and industrialists; the exchange of students; the organisation of scientific and technological conferences; the exchange of industrial knowledge and technology and co-operation in research and development.

The sale of defensive equipment to China was also a subject of discussion, and the British Government indicated its readiness to consider supplying certain types of defensive equipment to China subject to consultation with its allies.

Chinese Foreign Minister's Visit

Mr Huang Hua visited Britain from 10 to 14 October. In a meeting with Mr Callaghan on 11 October, he extended an invitation to the Prime Minister to visit China. Accepting the invitation, Mr Callaghan said that China's Premier Hua Kuo Feng would be welcome to visit Britain at any time he chose. Britain welcomed the new impetus China was bringing to the world scene and thought it had much to contribute to the world family of nations. Britain also looked forward to enhancing and developing its long-standing relations with China, especially in the fields of trade, educational and cultural exchanges and through exchanges between ministers. With regard to Hong Kong, both sides agreed that there was good co-operation between the British and Chinese Governments on practical issues affecting the life of the colony.

In his meetings with Mr Huang Hua, Dr Owen spoke of the current state of East-West relations and said that there was no alternative to pursuing the policy of *détente* with Eastern Europe. Britain would continue, with its allies, to seek mutual balanced force reductions and to support the United States in seeking to conclude a SALT II agreement with the Soviet Union (see p 202). Mr Huang Hua set out the Chinese view on the current state of international relations, concentrating mainly on the Soviet Union, but touching also on recent developments in Africa, Afghanistan and South-east Asia.

Other Visits

The Chinese visits reflect the rapidly developing economic and political relations between Britain and China. Mr Huang Hua's visit was in return for a visit to China in May 1976 by the then Foreign and Commonwealth Secretary, Mr Anthony Crosland (see pp 240-41, 1976). More recent visitors to China have included the Secretary of State for Social Services, Mr David Ennals, in May; the Secretary of State for Education and Science, Mrs Shirley Williams, in July; and the then Secretary of State for Trade, Mr Edmund Dell, in August. The last led a top-level trade mission of 13 British businessmen on a 10-day visit in August with a view to laying 'the foundations for a significant increase in two-way trade in the next two decades'. The mission followed the visits to Britain in the previous nine months of five Chinese ministers with wide-ranging economic and industrial responsibilities. The Chinese Minister responsible for aviation began a two-week visit to Britain on 7 December.

Since Mr Dell's visit, another mission of 16 prominent British industrialists led by Lord Roll, Chairman of the London bankers S. G. Warburg, visited China in October, while more specific missions have been undertaken in the fields of shipbuilding, mining, railways, telecommunications and electric power. In November, the first exclusively all-British scientific instruments exhibition, organised by the British Overseas Trade Board, was held in Peking with 42 British companies taking part. Planning is already well under way for an all-British energy exhibition to be held in June 1979, and proposals for other exhibitions are being discussed with the Chinese authorities.

Recent Contracts

A number of British firms have also been awarded major contracts to help China develop its resources. In September, orders worth nearly £100 million were placed for mining equipment with the Dowty Group (£70 million), Gulick Dobson International (£10 million) and Anderson Strathclyde Ltd (£13 million). In the same month, Davy Powergas secured a £38 million contract to design and supply two large oxo-alcohol plants – believed to be the largest single order for chemical plant ever placed with a British company by China. In October, the British Steel Corporation and Davy International were contracted to make an engineering study for the modernisation and expansion of the Shoutu steelworks in Peking, and this is expected to lead to further work. Another large contract, worth some £25 million, involves the supply of toy manufacturing equipment by Dunbee-Combex-Marx.

To facilitate these and other anticipated contracts, discussions have taken place concerning suitable financing arrangements. These have involved a number of British banks, the Bank of China and the Export Credits Guarantee Department, and followed China's recent decision to consider accepting credit from Western banking sources. Hitherto, China had been unwilling to do this, and traded with Britain only on cash or 'deferred payment' terms. On 6 December it was announced that agreement had been reached for seven separate 'deposit facilities' amounting to $1,200 million to finance the export of capital goods and associated services to China. Negotiations are continuing with the Bank of China regarding the financial arrangements for major project business.

Belize: British Proposals

New British proposals for a settlement of Britain's dispute with Guatemala over Belize were announced by the Government in a statement issued on 28 November. The Government says in the statement: 'In accordance with the wishes of the people of Belize, the recommendations of the Commonwealth and of the United Nations, Britain is determined to bring Belize to secure independence as soon as possible. We believe that the best way of achieving this is by a settlement of the present dispute with Guatemala.' The proposals have been rejected by Guatemala.

Background

The statement, issued simultaneously in Belize and at the United Nations in New York, gives the background to the dispute between the two countries. (For more details, including a United Nations resolution, and for an outline of the history of Belize – formerly British Honduras – see pp 14-16, 1976; for Commonwealth views, see p 260, 1977; for a previous statement of British policy, see p 50.) It recalls that over the past three years Britain has been engaged in negotiations with the Government of Guatemala in an attempt to find a settlement. While the British Government was prepared 'without commitment' to look at the possibility of including territory in the settlement, as required by Guatemala, this 'proved to be unacceptable, not only to the representatives of the people of Belize, whose wishes [Britain is] bound to respect, but also to other states in the region, including some of the Latin American members of the Organisation of American States. They were concerned at the implications of any redrawing of any Latin American boundaries.'

The statement recalls that 'the present Guatemalan claim to the territory of Belize was first formulated in 1939 on the grounds that Article VII of the 1859 treaty, by which Guatemala recognised the already

existing boundaries of Belize, had not been fulfilled'. Article VII of the treaty called on Britain and Guatemala jointly to use their best efforts to build a road from Guatemala City to improve Guatemalan communications with the Caribbean coast. 'That road was never built jointly and this fact led to Guatemala's present claim. A road to the Caribbean coast has subsequently been built by the Guatemalans alone. Successive Guatemalan Governments have stressed the need for better access to the Guatemalan province of Peten which is adjacent to Belize.'

The Proposals

In view of this need, the British Government proposed to the Guatemalan Government in September 1978 that Britain should help with a major road project. 'Such a project would be a modern equivalent of the provision in Article VII of the 1859 treaty and would be of considerable economic benefit in helping to develop the Peten.' Britain also proposed that Guatemala should enjoy free port facilities in the Belize City port and access by road to the port. 'The free port facilities (such as several maritime states provide to other countries) would enable Guatemala to import and export goods from . . . the Peten by the most direct route, free of customs formalities.'

The statement points out that the Guatemalan Government has also stressed its need for secure, permanent and guaranteed access to the sea from the country's Caribbean ports. At present, Guatemala enjoys such access but believes it may be deprived of it after Belize becomes independent. Britain has therefore proposed that a seaward boundary should be agreed by treaty as part of a settlement which would guarantee Guatemala permanent secure access from its ports to the high seas through its own territorial sea. 'Such an agreement would eliminate all doubts and problems for the future.'

Britain has also suggested 'a separate treaty of amity and mutual security between Belize and Guatemala, with provisions covering non-aggression and subversion, to ensure the security of the area. These would include limitations on the stationing of foreign, but not British, armed forces.'

The British Government believes these proposals are 'constructive and fair to both sides. Guatemala's complaint that the road envisaged under the 1859 treaty was never built would be satisfied.' In addition, Guatemala would gain greatly improved communications to assist the development of the Peten and permanent access to Caribbean ports through its own territorial sea guaranteed by the treaty. 'Belize would gain security once the Guatemalan claim had been withdrawn following a settlement of the problem.' The agreed seaward boundary 'would eliminate future disputes'. (No seaward boundary has previously been agreed.) The settlement of the problem would enable Belize to achieve 'secure independence', and to 'concentrate on the development of the country which has been inhibited by the present uncertainty caused by the dispute'.

In conclusion, the statement expresses the British Government's hope 'that Guatemala will accept these proposals and that an early settlement can be reached, so establishing a basis of friendship between Belize and Guatemala, to the benefit of stability in the whole area'.

Further Developments

A British Government spokesman told a press conference on 30 November that the Government of Belize had accepted the British proposals. However, Guatemala's Foreign Minister, Señor Rafael Castillo Valdez, announced in a speech on 30 November that his Government rejected them and continued to regard Belize as part of Guatemala's territory; nevertheless, his Government was prepared to continue the process of negotiation.

In a resolution adopted on 13 December by 128 votes to nil with 12 abstentions, the United Nations General Assembly urged Britain, acting in close consultation with Belize, and Guatemala to pursue their negotiations vigorously with a view to settling their differences without prejudice to the right of the people of Belize to self-determination, independence and territorial integrity; and in this connection to consult other especially interested states in the area. The resolution recognised that it was Britain's responsibility to take steps to enable the people of Belize to exercise their right to self-determination and early independence.

UNESCO

On 22 November a 'Declaration on Fundamental Principles Concerning the Contribution of the Mass Media to Strengthening Peace and International Understanding, the Promotion of Human Rights and to Countering Racialism, Apartheid and Incitement to War' was adopted by acclamation in the Culture and Communications Commission of the United Nations Educational, Scientific and Cultural Organisation (UNESCO). Meeting in Paris for its twentieth general conference, UNESCO formally approved the declaration at its plenary session on 28 November.

The declaration's adoption was preceded by intense debate of an earlier controversial draft which, in the eyes of many Western governments, represented a direct threat to press freedom. It had referred to media 'which legally come under the jurisdiction of States', and implied the right of governments to control the media and to prevent dissemination of dissenting views on certain subjects.

Representing Britain, Dr Tom Margerison[1] said that, although the declaration was not perfect, the British Government welcomed its adoption. The text was not a compromise since none of the delegations had compromised its principles. For example, it met Britain's major concern in placing 'no limit of state control on the freedom for information to flow, and the freedom for journalists to have access to information. These are', he added, 'the freedoms which, in our view, make democracy work. They are an essential part, indeed the basis, of the social and

[1]Dr Margerison is a science broadcaster and journalist and chairman of Computer Technology Ltd.

cultural structure of the whole Western world. They are the only true safeguard against the very kinds of extreme nationalistic behaviour to which this Declaration addresses itself.'

Speaking at the conference on 30 October, Britain's Minister for Overseas Development, Mrs Judith Hart, called for UNESCO to take positive measures to help developing countries overcome the communications and information problems which they faced, and promised that Britain would play its part in this. She identified three ways in which UNESCO and the industrialised countries could help: by giving greater priority to assistance in education and literacy; by contributing to research and providing advice on media development; and by providing practical assistance to developing countries in their efforts to build up their own communications system and their own contribution to the free flow of information in the world.

Shorter Notes

OVERSEAS AID: INTERMEDIATE TECHNOLOGY

A new unit to provide technical and financial help to develop technologies for small-scale industries in the developing countries was officially opened in Rugby on 8 November by Mrs Judith Hart, Minister for Overseas Development.

The unit, Intermediate Technology Industrial Services, has been set up by the Intermediate Technology Development Group, a private voluntary organisation. The Ministry of Overseas Development is providing a grant of £120,000 to set up the unit, and is allocating a further £270,000 for the unit's projects during the first year of its operations, as part of the British Government's increased programme of assistance for the spread of intermediate technology in developing countries (see p 346, 1977).

The term 'intermediate technology' is applied to technology which is capital-saving, small-scale and labour-intensive. Such technology is often the one most appropriate to developing countries, and its encouragement is in line with Britain's policy of increasing the emphasis in the aid programme on the poorer groups in those countries.

The main activities of the new unit – whose work began in April – include field-testing and demonstrating technologies overseas, establishing pilot plants, carrying out market studies, spreading information, and assisting in the development and adaptation of technologies on which research has been successfully completed. These services are available not only to government departments and development agencies, but also to private voluntary organisations and to individuals.

ECONOMIC AND SCIENTIFIC AFFAIRS

Micro-electronics

New Government measures costing £100 million over the next three years to support the micro-electronics industry in Britain were announced by the Prime Minister, Mr James Callaghan, at a meeting of the National Economic Development Council on 6 December. Together with measures already announced (see pp 263 and 304), the new aid will form a comprehensive programme which will include a campaign to make decision-takers in industry aware of the new technology, more direct support for applications in industry, encouragement for public sector purchasing and increased programmes in training and education. Some details of the programme were given in a statement issued by the Secretary of State for Industry, Mr Eric Varley, on 30 October.

PRIME MINISTER'S STATEMENT

Mr Callaghan began by emphasising that the subject of micro-electronics was of critical importance to Britain's industrial future. Referring to a memorandum by the Secretaries of State for Industry, Employment, and Education and Science, which said that the potential consequences of micro-electronics evoked 'a mixture of fear and excitement' – fear of job losses and excitement at the potential opportunities – he pointed out that the industrialised world had, until the oil crisis of 1973, enjoyed a longer period of sustained full employment than at any time in history despite predictions of ever-increasing unemployment arising from both automation and the coming of the computer. 'Now we may be on the threshold of the most rapid industrial change in history. And we must prepare for it', he said.

Potential Gains

Mr Callaghan said that there should be job gains as well as losses, since the new technology would 'put within reach of the budget of our people a range of goods and services they could never previously afford'; moreover, there was 'great potential for more exports, output and investment'.

Drawing from the ministerial memorandum (see above) and two other reports before the meeting (one by the Central Policy Review Staff on the social and employment implications of micro-electronics and one by the Director-General of the National Economic Development Office on the role of sector working parties [see p 59] and economic development committees), he listed some of these gains. They would arise, first, from the manufacture of micro-electronic devices; secondly, from the applications of the technology, such as opportunities in software and systems design; and thirdly, and even more important, from the new products and services which would become economic for the first time – for example, improved communications systems which would eventually allow many people to work more at home. 'Generally, more efficient production will mean more wealth and higher real wages. And higher real wages will mean more demand both for goods – the cars and the video-recorders – and very important, for services too', he said. The Government would therefore play its part in ensuring that Britain was in the forefront of these developments since this was the 'long-term crucial factor' which would determine whether micro-electronics would mean more or fewer jobs. 'If we fail to make use of the new technology, we simply shall not have the goods that the world will want to buy and other major countries will supply. And of course our own people would demand them too.'

Government Proposals

Mr Callaghan outlined the Government's four main proposals. The first was to launch an awareness campaign (see below). Ministers had set the ambitious target of reaching 50,000 key decision-takers in three years through discussions and conferences throughout the country. Secondly, there would be a need for increased provision for education and training. The concept of 'one job for life', which was already going, would probably disappear and there would have to be greater mobility and flexibility. 'To take a specific example, next year [1979] the Government intends to provide 3,000 extra training places for programmers and systems analysts. We shall also be expanding facilities for training people in existing jobs to teach micro-electronic skills so as to upgrade the existing skills at all stages in the production process', he said. Thirdly, direct support to industry would be increased. An extra £40 million would be provided under the Micro-processor Application Project (see p 263) bringing this total to £55 million; there would also be an extension to the Software Products Scheme.[1] Fourthly, the Government would

[1]Administered by the National Computing Centre on behalf of the Department of Industry, in support of software products prepared by the computer service industry.

use the powers available to it through public procurement to encourage the full use of the new technology. Over the next three years, Mr Callaghan said, the cost of these proposals would be of the order of £100 million – in addition to existing government support for micro-electronics. In conclusion, he said that success would require action from the Government, the National Economic Development Office, and from 'every company in the land, by all the workforce, working together – the skills of managers, and the experience of those at the bench' . . . 'to ensure that the challenge we face is turned into an opportunity grasped'.

MR VARLEY'S STATEMENT

Government measures aimed at creating a higher degree of awareness of the potential for applying micro-electronics were outlined by the Secretary of State for Industry, Mr Eric Varley, in a statement issued on 30 October.

Mr Varley said that the Government had done a great deal of work on how to respond to the challenge of micro-electronic technology, and had decided to supplement its existing policies with a major and wide-ranging programme of action, covering: general awareness of the potential of micro-electronics; training and education to increase the supply of the necessary skills; and various forms of direct assistance to encourage innovative applications of the technology. Though details of many aspects of the programme were still being worked out, there were some areas where work was being set in hand immediately.

Awareness

First, a major campaign, co-ordinated by the Department of Industry and aimed primarily at those at senior levels in industry, the trade unions, public sector organisations and educational and other interested bodies who were in a position to influence decision-making, would be launched to create a higher degree of awareness of the potential for applying micro-electronics. The main instrument of the campaign would be a large number of seminars of about one day, involving, Mr Varley hoped, about 50,000 such people within the next three years or so. A number of organisations were already conducting such seminars, and their co-operation would be welcomed in a co-ordinated national programme. Consultants were being appointed by the Department to work with the National Computing Centre on setting up the programme, which would start early in 1979.

Secondly, the impact of micro-electronics on British industry and the economy generally would be such that it was essential that its implications were fully explored within the framework of the industrial strategy (see pp 59-60). An important role was seen for the sector working parties, and the Government was seeking their help in assessing the needs and identifying the action necessary in their respective sectors.

Thirdly, action was in hand to increase awareness within government departments, several of which had already appointed staff to promote the application of micro-electronics in the areas for which they were responsible. Steps were also being taken to identify the availability of the relevant scarce skills within departments.

Training and Education

Mr Varley said that the Government would shortly be presenting detailed proposals for training and education. A shortage of professionally qualified and skilled manpower could be a severe constraint on the widespread adoption of the technology which the Government's other measures were intended to accelerate. A detailed programme for training, co-ordinated by the Manpower Services Commission, was being put into effect and the industrial training boards, together with other organisations, were pressing ahead with assessing training and retraining requirements and planning to meet them.

Mr Varley pointed out that in education, urgent consideration was being given to ways of increasing the output of specialists with relevant qualifications and skills, and of improving educational attainment to enable all children and young people to understand and adapt to the technological changes in prospect. As initial steps the education departments, including the Welsh and Scottish Offices, were considering a national programme to help schools and colleges both to understand micro-electronic technology and to make the best use themselves of its possibilities. They were also considering the possibility of strengthening the micro-electronics capability of certain institutions of higher education to enable them to develop further as centres of teaching, consultancy, training and research at an advanced level; and were studying the potential for applying micro-electronics in the teaching of the disabled. [On 6 November the Department of Education and Science announced that it had sent letters to local authority associations, teachers' associations, industry, trade unions and various institutions and organisations connected with education, drawing their attention to the educational implications of micro-electronic technology and setting out the general views of the Department.]

Direct Support to Industry

Mr Varley said that, in pressing ahead with its programme of support to industry, his department would be making special efforts in the office machinery sector and in computer peripherals and terminals, in order to strengthen Britain's manufacturing capability and reduce imports in these particularly important sectors; he felt sure that the National Enterprise Board would have a significant role to play in this area. The Government would continue its programme of support to the software industry, which had an important contribution to make. Plans to support innovative applications of micro-electronics in the public sector were being developed, while major purchasing departments and local authorities would be invited to consider other potential applications with manufacturers, who would be eligible in the normal way for support through the Micro-processor Application Project (see p 263) and other existing schemes.

These decisions, Mr Varley concluded, represented only the first steps on which progress could be made straight away. The full programme, as it evolved,

would provide a solid government initiative to help British industry meet the challenge of the micro-electronic age.

Company Law

The Government has introduced a Companies Bill, both as part of a radical reform of company law and as a response to its obligations to implement a European Community directive. Among the main proposals for reform are that insider dealing in securities should become a criminal offence, that directors' duties should be more closely defined, that the rules relating to loans to directors should be tightened up, and that there should be improved protection for minority shareholders. The Bill received an unopposed second reading in the House of Commons on 20 November. A standing advisory committee is to be set up to review the development of company law.

Provisions of the Bill

The provisions of the Bill closely follow the proposals contained in a draft Bill published in a White Paper in July (see p 332).

Part I provides for new definitions of private and public companies, for machinery for registration and re-registration of companies, and for certain transitional provisions. A public company would be one which had registered or re-registered under the Bill; private companies would be those which were not public companies. The essential features of a public company would in future be that the minimum number of people forming it would be two instead of seven, that its name would have to end with the designation 'public limited company' or 'PLC' (or the Welsh equivalents), that its memorandum of association should take the form laid out in the Bill, and that its authorised capital should be not less than £50,000. For private companies the current requirements that they must restrict the right to transfer their shares and limit the number of members to 50 would be repealed. It would continue to be the case, however, that private companies could not offer their shares or debentures to the public.

Part II of the Bill is concerned mainly with implementing the requirements of the second European Economic Community (EEC) directive (see p 324, 1977) relating to the share capital of public companies. Directors would not be allowed to issue shares or other securities without proper authority from the company; a company issuing equity shares for cash would first have to offer them to existing equity shareholders; and there would be strict rules on payment for shares. Certain of these provisions would apply to private companies as well.

Part III of the Bill lays down new rules concerning the distribution of profits to the shareholders of both public and private companies. The provisions embody the requirements not only of the second EEC directive, but also the requirements of the fourth EEC directive on company accounts. Unrealised profits would not be distributable; past realised losses would have to be made good before distributions could be made; and public companies would be able to pay dividends only if they retained sufficient realised profits to cover unrealised losses.

Part IV deals with a number of proposals put forward in the White Paper, *The Conduct of Company Directors* (see pp 19-20), and relating to public companies. The fiduciary duties and the duties of skill and care laid upon company directors are codified. Directors would in future have an obligation to take into account the interests of employees as well as of shareholders. Important new provisions extend the prohibitions on loans to directors.

Part V concerns insider dealing in securities (that is, taking advantage of privileged information about a company to obtain unfair profit from dealing in its shares). The central proposition is that it should be made a criminal offence. Among the people covered would be those connected with a company, dealing in its shares on a recognised stock exchange, and possessing price-sensitive information not generally available; people connected with one company and dealing in the securities of another company when there is a linking transaction, such as a takeover; people receiving information from others connected with companies; and Crown servants receiving price-sensitive information in their official capacities. Defences would be provided for trustees in bankruptcy, receivers and liquidators. Offences committed during non-market transactions (other than on a recognised stock exchange) are also dealt with in the Bill. Offences under all these provisions would be punishable by up to two years' imprisonment and an unlimited fine. Additional civil remedies would also be available for offences in non-market transactions. The Secretary of State for Trade would be empowered to appoint inspectors to investigate suspected cases of insider dealing in market transactions.

Part VI of the Bill contains some miscellaneous amendments to the law. It would reverse a court judgment which has prevented former employees of a company, including pensioners, from receiving payments when the business was closed down; the position of minority shareholders would be improved; the penalties and modes of trial for offences under the companies legislation would be revised; and the Registry of Business Names would be put on a self-financing basis.

In its present form the Bill would not affect the law in Northern Ireland, but the Government intends to make arrangements so that its provisions would in due course apply there in the same way as they would in Great Britain.

House of Commons Debate

The Bill was published on 3 November and received its second reading on 20 November (*Hansard*, cols 929-1056).

Government View

Opening the debate, the Secretary of State for Trade, Mr John Smith, said that three factors had influenced the proposals contained in the Bill. These were the Department of Trade's continuing review of company

law, the European company law harmonisation programme, and, perhaps the most important influence, 'the impact of wider economic and social developments which affect, for example, public expectations about the extent to which companies, particularly large companies, disclose information about their activities, and the expectations of employees who wish to play a great and increasing part in the decisions which affect their working lives and the success of their company'. As a further example, Mr Smith mentioned 'the questioning of the principle of self-regulation by such groups as the Stock Exchange and accountants who audit company accounts'.

Such was the importance of company law that Mr Smith believed it was no longer sensible to hold occasional inquiries into the subject. He proposed instead to set up a standing advisory committee to undertake a continuing review of company law. The committee would comprise representatives from the professions, industry, the City and the trade unions.

Discussing changes proposed in the Bill, he said that, under Part I, perhaps as many as half of existing public companies would become private ones. At present there were numerous public companies which did not offer securities to the public and belonged to the category of public companies only because they did not meet one or other of the tests for private companies – by having more than 50 members, for example. Only those companies offering securities to the public were likely to want to remain public companies.There were currently about 16,000 public companies and more than 600,000 private companies. Reform of the law relating to dividend distributions (Part III) was 'long overdue'. On directors' duties towards employees (Part IV) Mr Smith said: 'It is no longer acceptable that company law should require directors to act solely in the interests of shareholders. This does not reflect the reality of business operations in the twentieth century – or, indeed, the practice of responsible boards of directors.' The proposal to make insider dealing a criminal offence (Part V) had probably attracted more comment than any other part of the Bill. The Government believed that the case for such action had been firmly established, and he noted that the Council for the Securities Industry had recently supported it firmly and clearly. Mr Smith said the case could be put simply: 'insider dealing is wrong'. It had to be recognised, however, 'that the distinction between reprehensible conduct and innocent and, indeed, useful activities is one which it is easier to recognise in practice than to embody in statutory language'. While the Government was firmly committed to the introduction of criminal sanctions, it did not intend to make it impossible for legitimate or desirable activities to continue. The proposals were therefore intended to be on the cautious side and the Government would listen with care to the arguments that would doubtless be presented during the committee stage of the Bill.

Opposition View

Mr John Nott, the chief Opposition spokesman on trade, said that there was a great deal in the Bill that the Conservative Party could welcome, but there were some qualifications to be expressed. Among these were that the Bill did not go far enough on the question of the protection of minority shareholders, that there was urgent need for reform in bankruptcy, receivership and liquidation, and that a redrafting of the clauses on directors' duties towards employees was needed. Concerning insider dealing, Mr Nott said that Parliament should be very cautious about creating new crimes. If the relevant clauses could be redrafted to meet the worry of the Opposition about their impact on legitimate business, then it would allow the proposal to go forward.

Other Measures

Mr Smith said that the Bill contained 'priority measures'. The Government would be bringing forward separately proposals relating to company accounts and disclosure of information in a consultative document early in 1979, and other measures of reform, including two-tier boards, would be included in legislation on industrial democracy.

Pollution Statistics

Improvements in the quality of air and fresh water in Britain are among the trends shown in figures published by the Department of the Environment on 23 November in a new book of statistics.[1]

Clean Air

Total emissions and average concentrations of smoke have fallen by nearly 80 per cent since 1960 as a result of clean air legislation and the increased use of smokeless fuels. Local authorities are empowered to declare smoke control areas within which the emission of smoke from chimneys constitutes an offence. Between 1966 and 1976 the number of domestic and industrial premises affected by smoke control orders increased from 2,906,000 to 7,348,000.

The number of hours of winter sunshine recorded at the London Weather Centre in central London have risen steadily since the 1940s when average hours per day were about 40 per cent less than at Kew in outer London; the levels are now virtually the same as at Kew, thereby reflecting the effectiveness of smoke control measures.

Reductions have also taken place in the amount of sulphur dioxide discharged into the atmosphere: in 1976 about 5 million tonnes were emitted compared with 6·12 million tonnes in 1970. Average urban concentrations (measured at ground level) have fallen by about 50 per cent since the early 1960s.

Particulate emissions of lead from lead works in England and Wales roughly halved between 1973 and 1976.

In contrast, because of the increase in road vehicle traffic, emissions of pollutants such as carbon monoxide, lead, hydrocarbons and oxides of nitrogen rose by nearly 20 per cent between 1970 and 1976 in the case of petrol engines and by about 10 per cent in the case of diesel engines.

[1]*Digest of Environmental Pollution Statistics.* No 1. HMSO, £3·25. ISBN 0 11 751324 5.

Water

The percentage of polluted non-tidal rivers (by length) in England and Wales fell from 9·1 per cent in 1970 to 7·3 per cent in 1975; in Scotland, only slightly more than 1 per cent of all non-tidal rivers were classified as polluted in 1974. In England and Wales over half of total water authority expenditure was related to pollution control in 1976-77.

Other Topics

Other topics dealt with in the book include marine pollution (oil spills, discharges of sewage, and radioactive waste), and noise. It is predicted that by 1990 the number of people affected by aircraft noise near Heathrow and Gatwick Airports will be about 10 per cent of the number affected in the early 1970s, despite a forecast growth in air traffic. This prediction is based largely on the assumption that in future aircraft will be larger and quieter than at present.

Tables concerned with waste disposal show, among other things, that in the mid-1970s the proportion of total material consumed in manufacture and consisting of recycled industrial scrap amounted to 65 per cent in the case of ferrous metals and about 50 per cent in the case of lead and paper: with rubber, thermoplastics and lubricating oil, the use of recycled material amounted to only 4 per cent.

Shorter Notes

INDUSTRIAL TECHNOLOGIES

A programme is to be established to promote the inclusion of material on the industrial technologies (tribology, terotechnology, materials handling and corrosion control) in industrial education and training. The programme follows the conclusion of the Department of Industry's campaign to promote the better application of low-level technology in industry, aimed at realising the considerable potential for savings in manufacturing costs (see p 273, 1972).

The aim of the programme, which will be managed by the Department's Committee on Industrial Technologies Education and Training, is to ensure the availability of teaching material on the industrial technologies to suit courses and syllabuses at every level, including those for people already working in industry.

At the concluding conference of the campaign on 21 November, the Parliamentary Under-Secretary of State for Industry, Mr Leslie Huckfield, said that the success of the advisory centres which had been established during the campaign and which had been one of its principal elements, was shown by the fact that they had earned over £3 million between them in consultancy fees.

It is envisaged that some four to five years will be needed for the programme to be completed. During this period it is hoped to influence educationists at all levels by the holding of seminars and conferences, attended by both educationists and industrialists, to ensure the acceptance of material on the industrial technologies in appropriate courses. Each of the individual technologies would require a different approach, and core material, in the form of teaching modules, publications and video-tape presentations, would be available in due course.

CHANGES IN VEHICLE EXCISE DUTY

The Government's decision to abolish vehicle excise duty (VED) on petrol-driven vehicles and to replace the lost revenue by higher taxation on petrol was announced by the Secretary of State for Transport, Mr William Rodgers, in the House of Commons on 21 November (*Hansard*, written answers, col 525). Mr Rodgers said that VED would be progressively reduced and petrol taxation progressively increased over a period with the aim of completing the change no later than 1983. The timetable would be decided after consultations with the car manufacturers, representatives of the administrative staff involved and with other interests.

The effects of this decision are considered in a Department of Transport document, *The Future of Vehicle Excise Duty*.[1] The document says that VED is unnecessarily complicated and costly, and that its abolition on petrol-driven vehicles will lead to considerable administrative savings. Another major advantage is that motor taxation will be on a fairer basis, as the change will effectively end evasion of VED on cars (currently estimated to result in lost revenue of between £50 million and £63 million a year) and will benefit car owners who travel low mileages or who use less petrol than the average, many of whom are pensioners or others on low incomes. In addition, by concentrating motor taxation on fuel, the change is expected to save fuel and so help the Government's energy conservation policies.

[1]Available free from Room N9/07A, Department of Transport, 2 Marsham Street, London SW1P 3EB.

SOCIAL AND CULTURAL AFFAIRS

Public Lending Right

Legislation is before Parliament to give authors a right to receive payment for the use made of their books by public libraries.

The Public Lending Right Bill, which had its second reading in the House of Commons on 10 November (*Hansard*, cols 1360-468), provides for payments to authors based on the number of times a book is borrowed from a public library. Sponsored by the Government, it is substantially the same Bill as that introduced in 1976 (see p 262, 1976) but which failed to pass through all its stages before the end of the 1976-77 session.

The proposed scheme, which would be administered by a Registrar of Public Lending Right with some 35 to 40 staff, would determine the categories of books to which the lending right would apply and the scales of payments to be made. Provision is made for the establishment of a central fund which would finance both the payments due to authors and the costs of administering the scheme itself. Financed from money provided by Parliament, the fund would make available up to £2 million a year.

PRISON SERVICES

Following a statement in the House of Commons announcing the Government's decision to set up a committee of inquiry into the prison system in the United Kingdom (*Hansard*, 2.11.78, cols 178-86), the Home Secretary, Mr Merlyn Rees, announced the committee's terms of reference on 17 November (*Hansard*, col 386). The inquiry, which is to be chaired by Mr Justice May, has been asked to consider the size and nature of the prison population and the capacity of the prison services to accommodate it; the responsibilities of the services for the security, control and treatment of prisoners; the need to recruit and retain a sufficient and suitable staff; and the need to make efficient use of manpower and financial resources. It will examine and make recommendations on the adequacy, availability and use of resources in the prison services, on the organisation, management and structure of the services, on the pay and conditions of staff, and on the effectiveness of the industrial relations machinery within the prison services.

EXPANSION OF LOCAL RADIO

The Home Secretary has given his approval in principle to the development of a further 18 local radio stations to be operated by the British Broadcasting Corporation (BBC) and the Independent Broadcasting Authority (IBA). The locations of the new stations were recommended by the Working Party on Local Radio which was set up under the chairmanship of the Home Office after the publication of the White Paper on broadcasting (see pp 308-11).

The locations allocated to the BBC are Barrow-in-Furness, Cambridge, Lincoln, Northampton, Norwich, Shrewsbury, Taunton, Truro, and York; while those allocated to the IBA are Aberdeen/Inverness, Bournemouth, Cardiff, Chelmsford/Southend, Coventry, Dundee/Perth, Exeter/Torbay, Gloucester and Peterborough. The services are expected to come on the air in 1980 and 1981.

The Working Party on Local Radio will continue its consideration of the future development of services to fulfil the Government's intention, expressed in the White Paper, that local radio stations should be available to as much of the population of the United Kingdom as possible, as soon as possible. There are at present 39 local radio stations: 20 operated by the BBC and 19 by the IBA.

Government and Administration

List of Overseas Visits by Members of the Royal Family, COI, SN5484.

United Kingdom Government Ministers. COI, SN5657/78/3.

External Affairs and Defence

Agreement between the United Kingdom . . . the European Atomic Energy Community and the International Atomic Energy Agency for the application of Safeguards in the United Kingdom . . . in connection with the Treaty on the Non-Proliferation of Nuclear Weapons. The Agreement entered into force on 14 August 1978 (see p 385). Cmnd 7388. HMSO, 70p. ISBN 0 10 173880 3.

European Convention on the Suppression of Terrorism. Britain ratified the Convention in July 1978 and it entered into force for Britain on 25 October 1978. Cmnd 7390. HMSO, 30p. ISBN 0 10 173900 1.

Decision of the Representatives of the Governments of the Member States of the European Coal and Steel Community . . . opening, allocating and providing for the administration of tariff quotas for certain steel products originating in developing countries. Cmnd 7387. HMSO, 25p. ISBN 0 10 173870 6.

Convention on the Accession of . . . Denmark, Ireland and . . . Britain . . . to the Convention on Jurisdiction and the Enforcement of Judgment in Civil and Commercial Matters (see p 387). Cmnd 7395. HMSO, £1. ISBN 0 10 173950 8.

Financial Protocol between the European Economic Community and Greece. Cmnd 7389. HMSO, 25p. ISBN 0 10 173890 0.

Agreement between the European Economic Community and the Government of . . . Bangladesh on Trade in Jute Products. Cmnd 7376. HMSO, 40p. ISBN 0 10 173760 2.

Economic and Scientific Affairs

Minimum Lending Rate (MLR). The Bank of England's MLR was increased by 2·5 per cent on 9 November to 12·5 per cent. *Economic Progress Report*, No 105, prepared by the Information Division of the Treasury. Available from Circulation Section (H), Central Office of Information.

The Future of Vehicle Excise Duty (see p 438). Available free from Room N9/07A, Department of Transport, 2 Marsham Street, London SW1P 3EB.

Companies in 1977. The Department of Trade's annual report on its administration of the Companies Acts 1948-76 and its work on company law reform and the harmonisation of European Community company law. HMSO, £1·50. ISBN 0 11 511144 1.

Manpower Services Commission Review and Plan 1978. An account of the Manpower Services Commission's plans for the period 1983-84. The Commission, which runs the public employment and training services, intends to continue the modernisation of the employment service, develop its training programmes and carry out special programmes for the unemployed. The review also considers long-term employment prospects, technological change and policies against unemployment. Available from the Manpower Services Commission, Selkirk House, 166 High Holborn, London WC1V 6PF.

Health and Safety Research 1977. An annual publication prepared by the Health and Safety Executive and describing developments in research concerned with health and safety at work. HMSO, £2·50. ISBN 0 11 883210 7.

Code of Safe Working Practices for Merchant Seamen. Based on a Steering Committee report (see below). Department of Trade. HMSO, £3·50. ISBN 0 11 512031 9.

Safety of Seamen at Work. Report of the Steering Committee on the Safety of Merchant Seamen at Work. Department of Trade. HMSO, £1·75. ISBN 0 11 512395 4.

EEC Dairy Facts and Figures 1978. Contains data on the production, distribution and consumption of milk and milk products in the European Community. Milk Marketing Board. £2 in the UK, £2·50 overseas.

Milk Marketing Board, Thames Ditton, Surrey KT7 0EL.

Forestry Commission: Report on Forestry Research for the year ended March 1978. HMSO, £2·25, ISBN 0 11 710117 6.

Energy Conservation Research, Development and Demonstration. An Initial Strategy for Industry. The report sets out proposed government programmes designed to promote energy conservation in industry and commerce. Energy Paper Number 32. Department of Energy. HMSO, £2·25. ISBN 0 11 410654 1.

Report of the Government Chemist 1977. HMSO, £3. ISBN 0 11 512192 7.

Digest of Environmental Pollution Statistics, No 1 (see p 437). HMSO, £3·25. ISBN 0 11 751324 5.

Social and Cultural Affairs

Human Rights in the United Kingdom. COI, R5625.

Criminal Injuries Compensation Board. Fourteenth Report. Accounts for the year ended 31 March 1978. Cmnd 7396. HMSO, £1. ISBN 0 10 173960 5.

Northern Ireland: Report on the Administration of the Prison Service 1977. Belfast HMSO, £1·25. ISBN 0 10 200979 1.

Review of the Mental Health Act 1959. Prepared by the Department of Health and Social Security, the Home Office, the Welsh Office and the Lord Chancellor's Department (see pp 368-9). Cmnd 7320. HMSO, £2. ISBN 0 10 173200 7.

Secondary School Examinations: A Single System at 16 Plus. Cmnd 7368. HMSO, 40p. ISBN 0 10 173680 0.

Awards for Good Design in Housing 1978. Sponsored annually by the Secretary of State for the Environment in collaboration with the Royal Institute of British Architects, the award scheme aims to encourage good design in housing. The scheme includes an award for special housing for the disabled. Available from the Department of the Environment, 2 Marsham Street, London SW1P 3EB.

Arts Council of Great Britain: A Year of Achievement. Thirty-third annual report and accounts 1977-78. Available from the Arts Council, 105 Piccadilly, London W1V 0AU, 50p.

National Film Finance Corporation: Annual Report and Statement of Accounts for year ended 1978. Cmnd 7370. HMSO, 50p. ISBN 0 10 173700 9.

INDEX

October—December 1978

Arab-Israeli relations, 352

Balance of payments 1977: revised figures, 361
Belize, 341, 431
British construction overseas, 404
By-elections and state of the parties, 382

Chrysler United Kingdom, 366
Commons procedure and committees, reform of, 339
Commonwealth finance ministers' meeting, 356
Company law, 436
Counter-inflation policy, 396

Devolution referendums, 383
Disarmament: Britain's views, 384
Dominica, Commonwealth of, 393

Economy
  counter-inflation policy, 396
  debate on the Queen's Speech, 394
Education, developments in, 369
European Airbus, 404
European Community, 344, 387, 415
European Monetary System, 415

Government changes, 383

Industrial awards, 362
Industrial technologies, 438
Inner city policy, 372
International Monetary Fund, 397
Invisible trade, 362

Local radio, expansion, 439
Lomé Convention, White Paper, 421

Mental Health Act 1959, review, 368
Micro-electronics, 434
Middle East: Arab-Israeli relations, 352

Namibia, 350, 391, 428
National income and expenditure, 358
Nobel Prize for Chemistry, 407

Offshore oil and gas and the British economy, 402
Overseas aid: intermediate technology, 433

Pollution statistics, 437
Portuguese President, state visit, 429
Prison services, 439
Prorogation and opening of Parliament, 379
Public lending right, 439

Rhodesia, 346, 389, 423

St Vincent constitutional conference, 340
Sheffield and South Yorkshire Navigation improvement scheme, 367
Shorter Notes, 341, 367, 393, 407, 433, 438, 439
Southern Africa, 346, 389

Tuvalu, 341

UK-Chinese relations, 430
UK-Polish relations, 429
UNESCO, 432
United Kingdom Atomic Energy Authority, 367
United Nations General Assembly: speech by Dr Owen, 342

Vehicle excise duty, changes, 438

World Bank group, 400

Zambia, British support for, 391

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